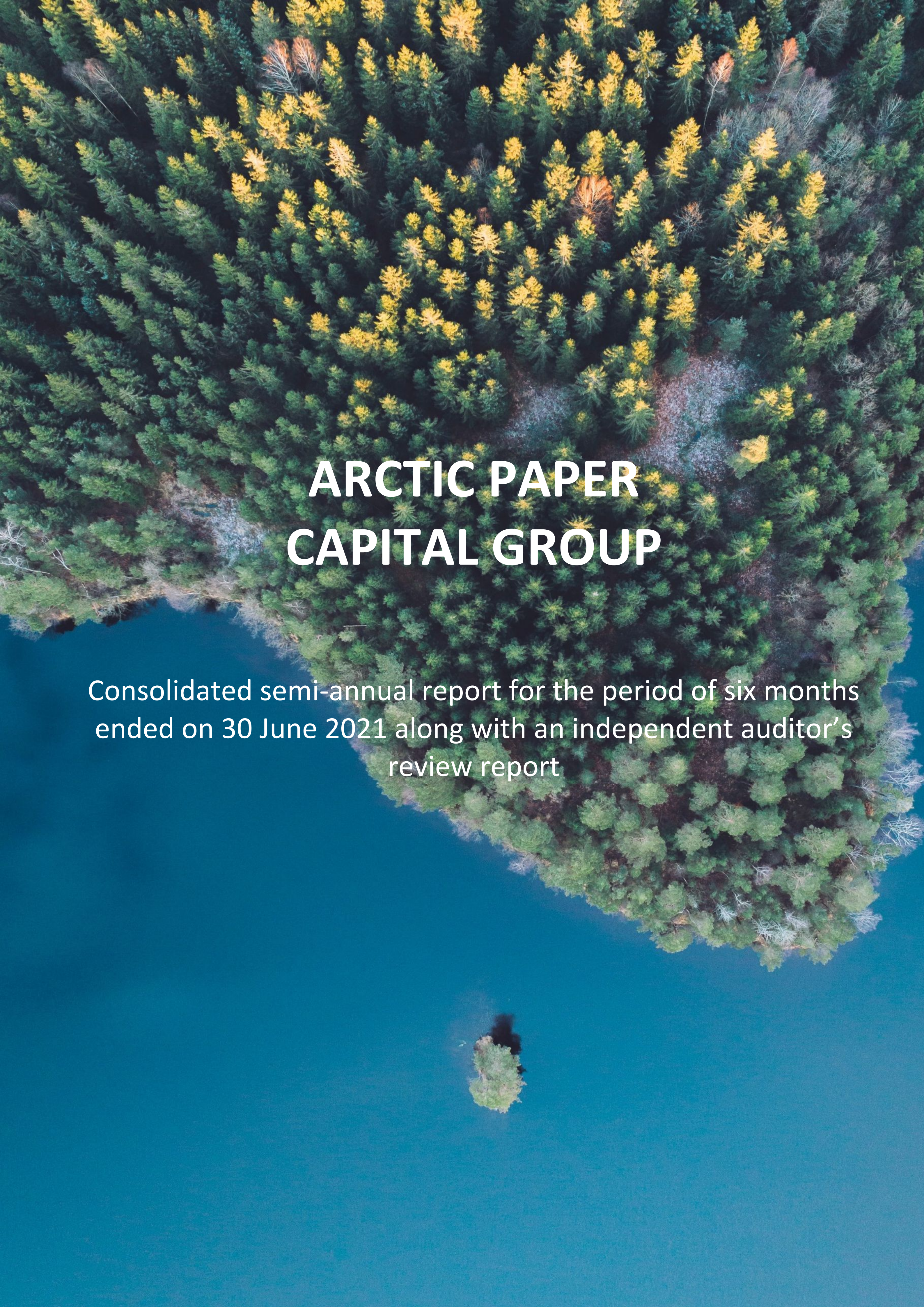

ARCTIC PAPER CAPITAL GROUP

Consolidated semi-annual report for the period of six months ended on 30 June 2021 along with an independent auditor's review report

Translator's Explanatory Note: the following document is a free translation of the report of the above-mentioned Company. In the event of any discrepancy in interpreting the terminology in Polish version is binding.

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Introduction

Information on the report

This Interim Consolidated Quarterly Report for the period of 6 months ended on 30 June 2021 was prepared in accordance with the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent (Journal of Laws of 2018, item 757) and a part of the interim abbreviated consolidated financial statements in accordance with International Accounting Standard No. 34.

The interim abbreviated consolidated financial statements do not comprise all information and disclosures required in the annual consolidated financial statements which are subject to mandatory audit and therefore they should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2020. The data for the periods of 3 months ended on 30 June 2021 and on 30 June 2020, disclosed in the interim abbreviated consolidated and standalone financial statements was not reviewed or audited by statutory auditor.

Certain selected information contained in this report comes from the Arctic Paper Group management accounting system and statistics systems.

This consolidated semi-annual report presents data in PLN, and all figures, unless otherwise indicated, are given in thousand PLN.

Definitions and abbreviations

Unless the context requires otherwise, the following definitions and abbreviations are used in the whole document:

Abbreviations applied to business entities, institutions and authorities of the Company

Arctic Paper, Company, Issuer, Parent Company, AP	Arctic Paper Spółka Akcyjna with its registered office in Poznań, Poland
Capital Group, Group, Arctic Paper Group, AP Group	Capital Group comprised of Arctic Paper Spółka Akcyjna and its subsidiaries as well as joint ventures
Arctic Paper Kostrzyn, AP Kostrzyn, APK	Arctic Paper Kostrzyn Spółka Akcyjna with its registered office in Kostrzyn nad Odrą, Poland
Arctic Paper Munkedals, AP Munkedals, APM	Arctic Paper Munkedals AB with its registered office in Munkedal Municipality, Västra County, Sweden
Arctic Paper Mochenwangen, AP Mochenwangen, APMW	Arctic Paper Mochenwangen GmbH with its registered office in Mochenwangen, Germany
Arctic Paper Grycksbo, AP Grycksbo, APG	Arctic Paper Grycksbo AB with its registered office in Kungsvagen, Grycksbo, Sweden
Paper Mills	Arctic Paper Kostrzyn, Arctic Paper Munkedals, Arctic Paper Grycksbo
Arctic Paper Investment AB, API AB	Arctic Paper Investment AB with its registered office in Göteborg, Sweden
Arctic Paper Investment GmbH, API GmbH	Arctic Paper Investment GmbH with its registered office in Wolpertswende, Germany
Arctic Paper Verwaltungs	Arctic Paper Verwaltungs GmbH with its registered office in Wolpertswende, Germany

Arctic Paper Immobilienverwaltungs	Arctic Paper Immobilienverwaltungs GmbH & Co. KG with its registered office in Wolpertswende, Germany
Kostrzyn Group	Arctic Paper Kostrzyn Spółka Akcyjna with its registered office in Kostrzyn nad Odrą and EC Kostrzyn Sp. z o.o. with its registered office in Kostrzyn nad Odrą
Mochenwangen Group	Arctic Paper Investment GmbH, Arctic Paper Mochenwangen GmbH, Arctic Paper Verwaltungs GmbH, Arctic Paper Immobilienverwaltungs GmbH & Co.KG
Grycksbo Group	Arctic Paper Grycksbo AB and Arctic Paper Investment AB,
Sales Offices	Arctic Paper Papierhandels GmbH with its registered office in Vienna (Austria)
	Arctic Paper Benelux SA with its registered office in Oud-Haverlee (Belgium)
	Arctic Paper Danmark A/S with its registered office in Greve (Denmark)
	Arctic Paper France SA with its registered office in Paris (France)
	Arctic Paper Deutschland GmbH with its registered office in Hamburg, Germany
	Arctic Paper Italia Srl with its registered office in Milan (Italy)
	Arctic Paper Baltic States SIA with its registered office in Riga (Latvia)
	Arctic Paper Norge AS with its registered office in Oslo (Norway)
	Arctic Paper Polska Sp. z o.o. with its registered office in Warsaw (Poland);
	Arctic Paper España SL with its registered office in Barcelona (Spain)
	Arctic Paper Sverige AB with its registered office in Munkedal (Sweden)
	Arctic Paper Schweiz AG with its registered office in Derendingen (Switzerland)
	Arctic Paper UK Ltd with its registered office in London (UK)
	Arctic Paper East Sp. z o.o. with its registered office in Kostrzyn nad Odrą (Poland)
Arctic Paper Finance AB	Arctic Paper Finance AB with its registered office in Göteborg, Sweden
Rottneros, Rottneros AB	Rottneros AB with its registered office in Sunne, Sweden
Rottneros Group, Rottneros AB Group	Rottneros AB with its registered office in Söderhamn, Sweden; Rottneros Bruk AB with its registered office in Rottneros, Sweden; Utansjo Bruk AB with its registered office in Söderhamn, Sweden, Vallviks Bruk AB with its registered office in Vallvik, Sweden; Rottneros Packaging AB with its registered office in Sunne, Sweden; SIA Rottneros Baltic with its registered office in Kuldiga, Latvia; since 1 January 2020 – Nykvist Skogs AB with its registered office in Gräsmark, Sweden
Pulp Mills	Rottneros Bruk AB with its registered office in Rottneros, Sweden; Vallviks Bruk AB with its registered office in Vallvik, Sweden

Rottneros Purchasing Office	SIA Rottneros Baltic with its registered office in Kuldiga, Latvia
Office Kalltorp	Kalltorp Kraft Handelsbolaget with its registered office in Trollhattan, Sweden
Nemus Holding AB	Nemus Holding AB with its registered office in Göteborg, Sweden
Thomas Onstad	The Issuer's core shareholder, holding directly and indirectly over 50% of shares in Arctic Paper S.A.; a member of the Issuer's Supervisory Board
Management Board, Issuer's Management Board, Company's Management Board, Group's Management Board	Management Board of Arctic Paper S.A.
Supervisory Board, Issuer's Supervisory Board, Company's Supervisory Board, Group's Supervisory Board, SB	Supervisory Board of Arctic Paper S.A.
GM, General Meeting, Issuer's General Meeting, Company's General Meeting	General Meeting of Arctic Paper S.A.
EGM, Extraordinary General Meeting, Issuer's Extraordinary General Meeting, Company's Extraordinary General Meeting	Extraordinary General Meeting of Arctic Paper S.A.
Articles of Association, Issuer's Articles of Association, Company's Articles of Association	Articles of Association of Arctic Paper S.A.
SEZ	Kostrzyńsko-Słubicka Special Economic Zone
Court of Registration	District Court Poznań-Nowe Miasto i Wilda in Poznań
Warsaw Stock Exchange, WSE	Giełda Papierów Wartościowych w Warszawie Spółka Akcyjna
KDPW, Depository	Krajowy Depozyt Papierów Wartościowych Spółka Akcyjna with its registered office in Warsaw
PFSA	Polish Financial Supervision Authority
SFSA	Swedish Financial Supervisory Authority, equivalent to PFSA
NASDAQ in Stockholm, Nasdaq	Stock Exchange in Stockholm, Sweden
CEPI	Confederation of European Paper Industries
EURO-GRAPH	The European Association of Graphic Paper Producers
Eurostat	European Statistical Office
GUS	Central Statistical Office of Poland
NBSK	Northern Bleached Softwood Kraft
BHKP	Bleached Hardwood Kraft Pulp

Definitions of selected terms and financial indicators and abbreviations of currencies

Sales profit margin	Ratio of profit (loss) on sales to sales revenues from continuing operations

EBIT	Profit on continuing operating activity (Earnings Before Interest and Taxes)
EBIT profitability, operating profitability, operating profit margin	Ratio of operating profit (loss) to sales income from continuing operations
EBITDA	Operating profit from continuing operations plus depreciation and amortisation and impairment allowances (Earnings Before Interest, Taxes, Depreciation and Amortisation)
EBITDA profitability, EBITDA margin	Ratio of operating profit plus depreciation and amortisation and impairment allowances to sales income from continuing operations
Gross profit margin	Ratio of gross profit (loss) to sales income from continuing operations
Sales profitability ratio, net profit margin	Ratio of net profit (loss) to sales revenues
Return on equity, ROE	Ratio of net profit (loss) to equity income
Return on assets, ROA	Ratio of net profit (loss) to total assets
EPS	Earnings Per Share, ratio of net profit to the weighted average number of shares
BVPS	Book Value Per Share, Ratio of book value of equity to the number of shares
Debt-to-equity ratio	Ratio of total liabilities to equity
Equity-to-fixed assets ratio	Ratio of equity to fixed assets
Interest-bearing debt-to-equity ratio	Ratio of interest-bearing debt and other financial liabilities to equity
Net debt-to-EBITDA ratio	Ratio of interest-bearing debt minus cash to EBITDA from continuing operations
EBITDA-to-interest coverage ratio	Ratio of EBITDA to interest expense from continuing operations
Current ratio	Ratio of current assets to short-term liabilities
Quick ratio	Ratio of current assets minus inventory and short-term accruals, prepayments and deferred costs to short-term liabilities
Acid test ratio	Ratio of total cash and similar assets to short-term liabilities
DSI	Days Sales of Inventory, ratio of inventory to cost of sales multiplied by the number of days in the period
DSO	Days Sales Outstanding, ratio of trade receivables to sales income from continuing operations multiplied by the number of days in the period
DPO	Days Payable Outstanding, Ratio of trade payables to cost of sales from continuing operations multiplied by the number of days in the period
Operating cycle	DSI + DSO
Cash conversion cycle	Operating cycle – DPO

FY	Financial year
Q1	1st quarter of the financial year
Q2	2nd quarter of the financial year
Q3	3rd quarter of the financial year
Q4	4th quarter of the financial year
H1	1st half of the financial year
H2	2nd half of the financial year
YTD	Year-to-date
Like-for-like, LFL	Analogous, with respect to operating result.
p.p.	Percentage point, difference between two amounts of one item given in percentage
PLN, zł, złoty	Monetary unit of the Republic of Poland
gr	grosz – 1/100 of one zloty (the monetary unit of the Republic of Poland)
Euro, EUR	Monetary unit of the European Union
GBP	Pound sterling, monetary unit of the United Kingdom
SEK	Swedish Krona – monetary unit of the Kingdom of Sweden
USD	United States dollar, the legal tender in the United States of America
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IFRS EU	International Financial Reporting Standards endorsed by the European Union
GDP	Gross Domestic Product

Other definitions and abbreviations

Series A Shares	50,000 Shares of Arctic Paper S.A. A series ordinary shares of PLN 1 each.
Series B Shares	44,253,500 Shares of Arctic Paper S.A. B series ordinary shares of PLN 1 each.
Series C Shares	8,100,000 Shares of Arctic Paper S.A. C series ordinary shares of PLN 1 each.
Series E Shares	3,000,000 Shares of Arctic Paper S.A. E series ordinary shares of PLN 1 each.
Series F Shares	13,884,283 Shares of Arctic Paper S.A. Series F ordinary shares of the nominal value of PLN 1 each
Shares, Issuer's Shares	Series A, Series B, Series C, Series E, and Series F Shares jointly

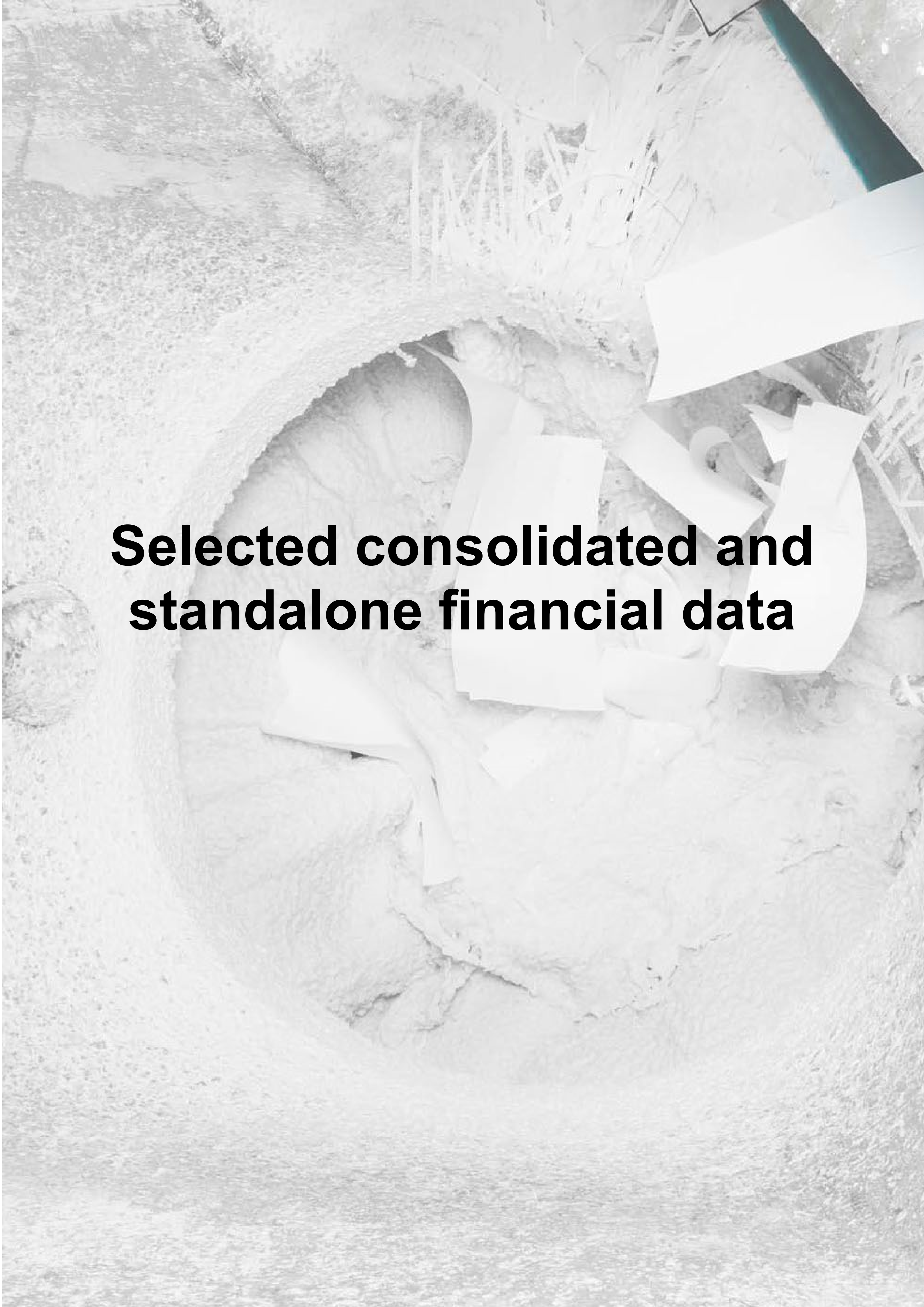
Forward looking statements

The information contained in this report which does not relate to historical facts relates to forward looking statements. Such statements may, in particular, concern the Group's strategy, business development, market projections, planned investment outlays, and future revenues. Such statements may be identified by the use of expressions pertaining to the future such as, e.g., "believe", "think", "expect", "may", "will", "should", "is expected", "is assumed", and any negations and grammatical forms of these expressions or similar terms. The statements contained in this report concerning matters which are not historical facts should be treated only as projections subject to risk and uncertainty. Forward-looking statements are inevitably based on certain estimates and assumptions which, although our management finds them rational, are naturally subject to known and unknown risks and uncertainties and other factors that could cause the actual results to differ materially from the historical results or the projections. For this reason, we cannot assure that any of the events provided for in the forward-looking statements will occur or, if they occur, about their impact on the Group's operating activity or financial situation. When evaluating the information presented in this report, one should not rely on such forward-looking statements, which are stated only as at the date they are expressed. Unless legal regulations contain detailed requirements in this respect, the Group shall not be obliged to update or verify those forward-looking statements in order to provide for new developments or circumstances. Furthermore, the Group is not obliged to verify or to confirm the analysts' expectations or estimates, except for those required by law.

Forward looking statements relating to risk factors

In this report we described the risk factors that the Management Board of our Group considers specific to the sector we operate in; however, the list may not be exhaustive. Other factors may arise that have not been identified by us and that could have material and adverse impact on the business, financial condition, results on operations or prospects of the Arctic Paper Group. In such circumstances, the price of the shares of the Company listed at the Warsaw Stock Exchange or at NASDAQ in Stockholm may decrease, investors may lose their invested funds in whole or in part and the potential dividend disbursement by the Company may be limited.

We ask you to perform a careful analysis of the information disclosed in "Risk factors" of this report – the section contains a description of risk factors and uncertainties related to the business of the Arctic Paper Group.



Selected consolidated and standalone financial data

Selected consolidated financial data

	Period from 01.01.2021 to 30.06.2021 PLN'000	Period from 01.01.2020 to 30.06.2020 PLN'000	Period from 01.01.2021 to 30.06.2021 EUR'000	Period from 01.01.2020 to 30.06.2020 EUR'000
Continuing operations				
Sales revenues	1 569 373	1 429 948	345 705	323 932
Operating profit (loss)	97 708	103 896	21 523	23 536
Gross profit (loss)	85 098	88 434	18 746	20 033
Net profit / (loss) for the period	67 869	73 062	14 950	16 551
Net profit / (loss) attributable to the shareholders of the Parent Entity	47 466	65 404	10 456	14 816
Net cash flows from operating activities	54 688	70 106	12 047	15 881
Net cash flows from investing activities	(62 898)	(77 133)	(13 855)	(17 473)
Net cash flows from financing activities	3 045	(46 600)	671	(10 557)
Change in cash and cash equivalents	(5 165)	(53 627)	(1 138)	(12 148)
Weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
EPS (in PLN/EUR)	0,69	0,94	0,15	0,21
Diluted EPS (in PLN/EUR)	0,69	0,94	0,15	0,21
Mean PLN/EUR exchange rate*			4,5396	4,4143

	As at 30 June 2021 PLN'000	As at 31 December 2020 PLN'000	As at 30 June 2021 EUR'000	As at 31 December 2020 EUR'000
Assets	2 244 140	2 136 646	496 403	462 999
Long-term liabilities	562 997	464 596	124 535	100 675
Short-term liabilities	611 490	639 016	135 261	138 471
Equity	1 069 654	1 033 033	236 607	223 852
Share capital	69 288	69 288	15 326	15 014
Number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Book value per share (in PLN/EUR)	15,44	14,91	3,41	3,23
Diluted book value per share (in PLN/EUR)	15,44	14,91	3,41	3,23
Declared or paid dividend (in PLN/EUR)	20 786 335	-	4 597 933	-
Declared or paid dividend per share (in PLN/EUR)	0,30	-	0,07	-
PLN/EUR exchange rate at the end of the period**	-	-	4,5208	4,6148

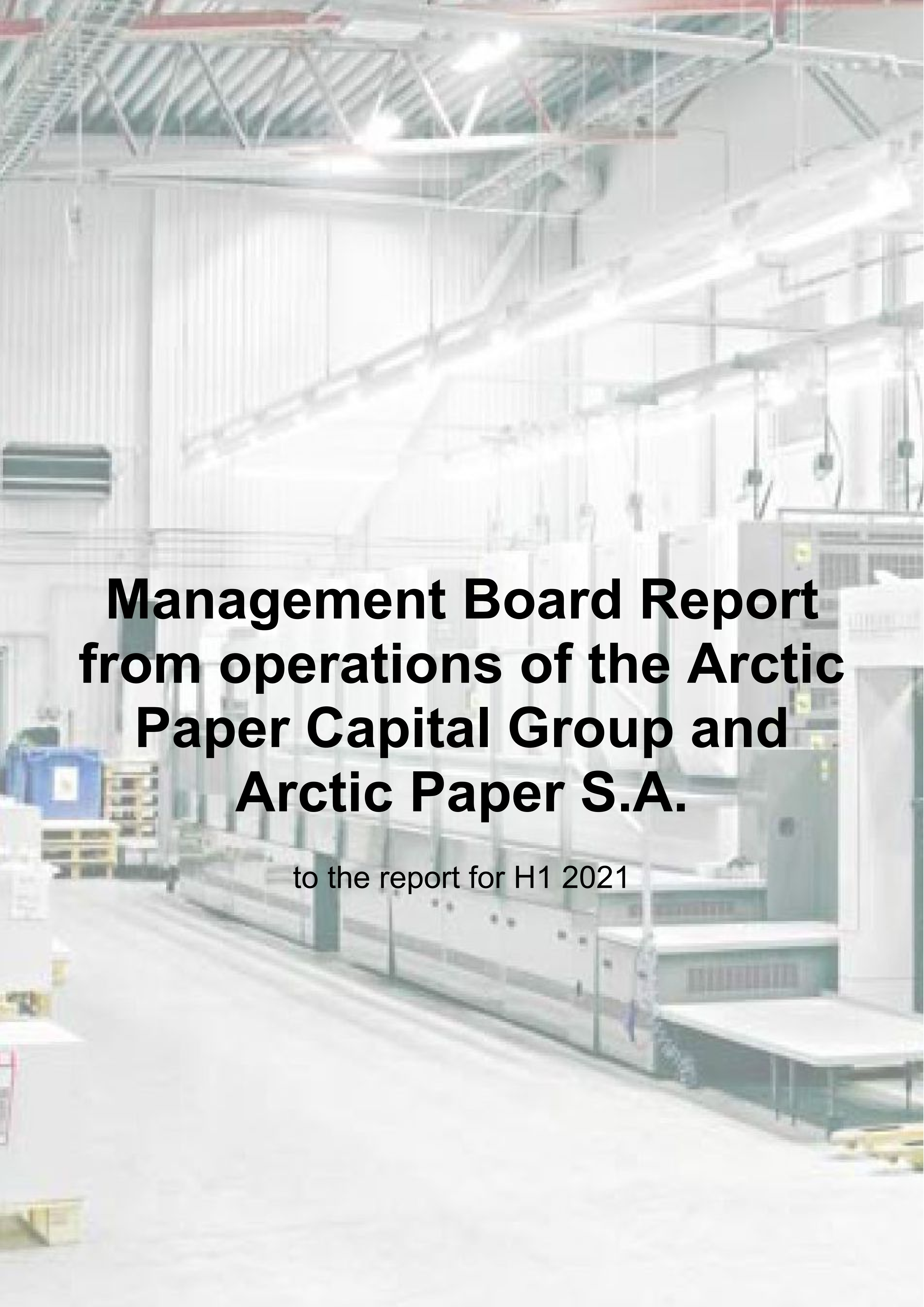
* – Profit and loss and cash flow statement items have been translated at the mean arithmetic exchange rates published by the National Bank of Poland, prevailing in the period that the presented data refers to.
** – Balance sheet items and book value per share have been translated at the mean arithmetic exchange rates published by the National Bank of Poland, prevailing on the balance sheet date.

Selected standalone financial data

	Period from 01.01.2021 to 30.06.2021 PLN'000	Period from 01.01.2020 to 30.06.2020 PLN'000	Period from 01.01.2021 to 30.06.2021 EUR'000	Period from 01.01.2020 to 30.06.2020 EUR'000
Sales revenues	11 838	11 012	2 608	2 495
Operating profit (loss)	(475)	(2 343)	(105)	(531)
Gross profit (loss)	(7 111)	(7 725)	(1 566)	(1 750)
Net profit (loss) from continuing operations	(7 111)	(7 725)	(1 566)	(1 750)
Net profit (loss) for the financial year	(7 111)	(7 725)	(1 566)	(1 750)
Net cash flows from operating activities	(29 949)	41 810	(6 597)	9 471
Net cash flows from investing activities	-	-	-	-
Net cash flows from financing activities	12 293	(48 638)	2 708	(11 018)
Change in cash and cash equivalents	(17 655)	(6 828)	(3 889)	(1 547)
Weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
EPS (in PLN/EUR)	(0,10)	(0,11)	(0,02)	(0,03)
Diluted EPS (in PLN/EUR)	(0,10)	(0,11)	(0,02)	(0,03)
Mean PLN/EUR exchange rate*			4,5396	4,4143

	As at 30 June 2021 PLN'000	As at 31 December 2020 PLN'000	As at 30 June 2021 EUR'000	As at 31 December 2020 EUR'000
Assets	847 268	882 117	187 415	191 150
Long-term liabilities	116 014	31 049	25 662	6 728
Short-term liabilities	185 625	280 472	41 060	60 777
Equity	545 629	570 595	120 693	123 644
Share capital	69 288	69 288	15 326	15 014
Number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Book value per share (in PLN/EUR)	7,87	8,24	1,74	1,78
Diluted book value per share (in PLN/EUR)	7,87	8,24	1,74	1,78
Declared or paid dividend (in PLN/EUR)	20 786 335	-	4 597 933	-
Declared or paid dividend per share (in PLN/EUR)	0,30	-	0,07	-
PLN/EUR exchange rate at the end of the period**	-	-	4,5208	4,6148

* – Profit and loss and cash flow statement items have been translated at the mean arithmetic exchange rates published by the National Bank of Poland, prevailing in the period that the presented data refers to.
** – Balance sheet items and book value per share have been translated at the mean arithmetic exchange rates published by the National Bank of Poland, prevailing on the balance sheet date.



Management Board Report from operations of the Arctic Paper Capital Group and Arctic Paper S.A.

to the report for H1 2021

Description of the business of the Arctic Paper Group

General information

The Arctic Paper Group is a leading European producer in terms of production volume of bulky book paper, offering a broad range of products in the segment and one of the leading producers of high-quality graphic paper in Europe. The Group produces numerous types of uncoated and coated wood-free paper as well as wood-containing uncoated paper for printing houses, paper distributors, book and magazine publishing houses and the advertising industry. In connection with acquisition of the Rottneros Group in December 2012, the Group's assortment was expanded with the production of pulp. As on the day hereof, the Arctic Paper Group employs app. 1,500 people in its Paper Mills, Pulp Mills, companies dealing in paper distribution and sales, and a company dealing in timber procurement for pulp production. Our paper mills are located in Poland and Sweden and have total production capacity of more than 685,000 metric tonnes of paper per year. The Pulp Mills are located in Sweden and have total production capacity of over 400,000 tonnes of pulp per year. The Group also has a company for private forest owners in Sweden, enabling wider access to raw materials in the long term, and 14 Sales Offices for the sales and marketing of the Group's products and providing access to all European markets, including Central and Eastern Europe. Our consolidated sales revenues for H1 2021 totalled PLN 1,569 million.

Arctic Paper S.A. is a holding company set up in April 2008. The Parent Entity is entered in the register of entrepreneurs of the National Court Register maintained by the District Court in Zielona Góra, 8th Commercial Division of the National Court Register, under KRS number 0000306944. The Parent Entity holds statistical number REGON 080262255. The Company has a foreign branch in Göteborg, Sweden.

Group profile

The principal business of the Arctic Paper Group is paper production and sales.
The Group's additional business, partly subordinate to paper and pulp production, covers:

- Generation of electricity,
- Transmission of electricity,
- Electricity distribution,
- Heat production,
- Heat distribution,
- Logistics services,
- Paper distribution.

Our production facilities

As on 30 June 2021, as well as on the day hereof, the Group owned the following Paper Mills:

- the paper mill in Kostrzyn nad Odrą (Poland) has the production capacity of about 315,000 tonnes per year and mainly produces uncoated wood-free paper for general printing use such as printing books, brochures and forms, and for producing envelopes and other paper products;
- the Paper Mill in Munkedal (Sweden) has the production capacity of about 160,000 tonnes per year and mainly produces fine uncoated wood-free paper used primarily for printing books and high-quality brochures;
- the Paper Mill in Grycksbo (Sweden) has the production capacity of about 210,000 tonnes per year and produces coated wood-free paper used for printing maps, books, magazines, posters and printing of advertising materials.

As on 30 June 2021, as well as on the day hereof, the Group owned the following Pulp Mills:

- the Pulp Mill in Rottneros (Sweden) has production capacity of about 160,000 tonnes annually and produces mainly two types of mechanical pulp: groundwood and chemo thermo mechanical pulp (CTMP);
- the Pulp Mill in Vallvik (Sweden) has the annual production capacity of about 240,000 tonnes and produces two types of long-fibre sulphate pulp: fully bleached sulphate pulp and unbleached sulphate pulp. The most of Vallvik Pulp Mill production is known as NBSK pulp. The unbleached sulphate pulp produced by the mill is characterised with a high level of purity. The high quality of the pulp which had been developed for years, made Vallvik a leader in supplies of such pulp. The pulp is used among others to produce transformers and in cable industry.

Our products

The product assortment of the Arctic Paper Group covers:

- Uncoated wood-free paper;
- Coated wood-free paper;
- Uncoated wood-containing paper;
- Sulphate pulp;
- Mechanical fibre pulp.

A detailed description of the Group's assortment is included in the consolidated annual report for 2020.

Capital Group structure

The Arctic Paper Capital Group comprises Arctic Paper S.A., as the Parent Entity, and its subsidiaries, as well as joint ventures. Since 23 October 2009, Arctic Paper S.A. has been listed on the primary market of the Warsaw Stock Exchange and since 20 December 2012 in the NASDAQ stock exchange in Stockholm. The Group operates through its Paper Mills and Pulp Mills and its subsidiary producing packaging as well as its sales Offices and Procurement Offices.
Details on the organisation of the Capital Group of Arctic Paper S.A. along with identification of the consolidated entities are specified in note 2 in the abbreviated consolidated financial statements, further below in this quarterly report.

Changes in the capital structure of the Arctic Paper Group

On 1 January 2020, the Company, via Rottneros acquired control over Nykvist Skogs AB, a company grouping private owners of forests in Sweden. The transaction provided a broader access to raw materials over a long-term horizon.

In H1 2021, no changes in the capital structure of the Arctic Paper Group occurred.

Shareholding structure

Nemus Holding AB, a company under Swedish law (a company owned indirectly by Mr Thomas Onstad), is the majority shareholder of Arctic Paper S.A., holding (as at 30 June 2021) 40,381,449 shares of our Company, which constitutes 58.28% of its share capital and corresponds to 58.28% of the total number of votes at General Meetings. Thus Nemus Holding AB is the Parent Entity of the Issuer.

Additionally, Mr Thomas Onstad, an indirect shareholder of Nemus Holding AB, holds directly 6,223,658 shares representing 8.98% of the total number of shares in the Company, and via another entity – 600,000 shares accounting for 0.87% of the total number of shares of the Issuer. Mr Thomas Onstad's total direct and indirect holding in the capital of Arctic Paper S.A. as at 30 June 2021 was 68.13% and has not changed until the date hereof.

as at 17.08.2021

Shareholder	Number of shares	Share in the share capital [%]	Number of votes	Share in the total number of votes [%]
Thomas Onstad	**47 205 107**	**68,13%**	**47 205 107**	**68,13%**
- indirectly via	40 981 449	59,15%	40 981 449	59,15%
Nemus Holding AB	40 381 449	*58,28%*	*40 381 449*	*58,28%*
other entity	600 000	*0,87%*	*600 000*	*0,87%*
- directly	6 223 658	8,98%	6 223 658	8,98%
Other	**22 082 676**	**31,87%**	**22 082 676**	**31,87%**
Total	69 287 783	100,00%	69 287 783	100,00%
Treasury shares	-	0,00%	-	0,00%
Total	**69 287 783**	**100,00%**	**69 287 783**	**100,00%**

The data in the above tables is shown as at the date of publication of this report, which has not changed from the date of the Q1 2021 report and 30 June 2021 report.

Summary of the consolidated financial results

Selected items of the consolidated statement of profit and loss

PLN '000	2Q 2021	1Q 2021	2Q 2020	1H 2021	1H 2020	Change % Q2 2021/ Q1 2021	Change % Q2 2021/ Q2 2020	Change % H1 2021/ H1 2020
Continuing operations								
Sales revenues	**786 561**	**782 812**	**616 000**	**1 569 373**	**1 429 948**	**0,5**	**27,7**	**9,8**
of which:								
Sales of paper	*526 781*	*547 339*	*403 773*	*1 074 120*	*991 553*	*(3,8)*	*30,5*	*8,3*
Sales of pulp	*259 780*	*235 473*	*212 227*	*495 253*	*438 395*	*10,3*	*22,4*	*13,0*
Profit on sales	170 754	152 340	106 605	323 094	294 535	12,1	60,2	9,7
% of sales revenues	*21,71*	*19,46*	*17,31*	*20,59*	*20,60*	*2,2 p.p.*	*4,4 p.p.*	*(0,0) p.p.*
Selling and distribution costs	(90 516)	(91 717)	(73 950)	(182 233)	(166 568)	(1,3)	22,4	9,4
Administrative expenses	(28 773)	(19 894)	(19 638)	(48 668)	(38 807)	44,6	46,5	25,4
Other operating income	13 041	12 525	20 893	25 566	34 204	4,1	(37,6)	(25,3)
Other operating expenses	(9 982)	(10 071)	(9 679)	(20 052)	(19 468)	(0,9)	3,1	3,0
EBIT	**54 525**	**43 183**	**24 231**	**97 708**	**103 896**	**26,3**	**125,0**	**(6,0)**
% of sales revenues	*6,93*	*5,52*	*3,93*	*6,23*	*7,27*	*1,4 p.p.*	*3,0 p.p.*	*(1,0) p.p.*
EBITDA	**84 175**	**72 233**	**48 017**	**156 407**	**159 851**	**16,5**	**75,3**	**(2,2)**
% of sales revenues	*10,70*	*9,23*	*7,79*	*9,97*	*11,18*	*1,5 p.p.*	*2,9 p.p.*	*(1,2) p.p.*
Financial income	(847)	2 584	(744)	1 737	713	(132,8)	13,9	143,7
Financial expenses	(7 476)	(6 871)	(8 470)	(14 347)	(16 175)	8,8	(11,7)	(11,3)
Gross profit (loss)	**46 201**	**38 897**	**15 017**	**85 098**	**88 434**	**18,8**	**207,7**	**(3,8)**
Income tax	(10 601)	(6 628)	(4 244)	(17 229)	(15 372)	59,9	149,8	12,1
Net profit (loss)	**35 600**	**32 269**	**10 773**	**67 869**	**73 062**	**10,3**	**230,5**	**(7,1)**
% of sales revenues	*4,53*	*4,12*	*1,75*	*4,32*	*5,11*	*0,4 p.p.*	*2,8 p.p.*	*(0,8) p.p.*
Net profit (loss) for the reporting period attributable to the shareholders of the Parent Entity	18 372	29 095	10 441	47 466	65 404	(36,9)	76,0	(27,4)

Comments of the President of the Management Board Michał Jarczyński on the results of H1 2021

As the market recovery continued during the second quarter of 2021, Arctic Paper's revenues and earnings increased significantly compared to Q2, 2020. The Group's EBITDA amounted to PLN 84.2 million (48.0 million) and revenues to PLN 786.6 million (616.0 million). The balance between paper and pulp is shifting in favour of pulp while paper remains stable, and the consolidated result again shows the value of combining the two segments. Arctic Paper's financial position improved during the period: net debt was reduced by one third or PLN 69.1mn to PLN 152,6 million (221,8) and the new financing agreement that entered into force during the second quarter will reduce our costs.

The paper segment reached an EBITDA of PLN 26.0 million (30,0 million) and a turnover of PLN 526.8 million (403.8 million). During the period we have seen a continued recovery in demand and more favourable market conditions. Paper sales volumes reached 149 000 tonnes (114 000) with a positive effect on the order backlog and our capacity usage is still significantly above the European average at 92 percent (69) despite our planned maintenance shutdown in June. But the economic upturn has also resulted in a pressure on operating costs as raw materials, packaging and freight is becoming more expensive. We strive to offset the effects of cost inflation with higher prices for our products: during Q2 the average revenue per ton increased by 3.9 percent.

During the period Arctic Paper Grycksbo launched a new product line – G-Flexmatt – suitable for both food and non-food packaging purposes. We have also added new qualities to the fast-growing Munken Kraft range produced in Munkedal and Kostrzyn to further expand our offering in line with the sales strategy. In H1/2021, Munken Kraft volumes increased by 242 percent compared to H1/2020. We expect our packaging business to continue to grow as more companies shift to sustainable alternatives to plastic and we have intensified our efforts to identify new market opportunities.

For Rottneros – the pulp segment – the second quarter was strong with growth in sales, production, and financial results. The revenues increase to SEK 593 million (510 million) with an EBIT result of SEK 97 million (2 million). The production volume for the period increased to 109 200 tonnes (97 700 tonnes).

To sum up, we are well positioned to explore the opportunities as European markets gradually return to a higher degree of normality. The transition to more packaging will contribute to a healthier mix, while we will maintain and develop our strength in graphical paper.

Revenues

In Q2 2021, the consolidated sales revenues amounted to PLN 786,561 thousand (paper sales: PLN 526,781 thousand, pulp sales: PLN 259,780 thousand, as compared to PLN 616,000 thousand (paper sales: PLN 403,773 thousand, pulp sales: PLN 212,227 thousand, in the equivalent period of the previous year. That means a growth by PLN 170,561 thousand (growth of paper sales by PLN 123,008 thousand growth of pulp sales by PLN 47,553 thousand) and respectively by +27.7% (for sales paper by +30.5% and pulp sales by +22.4%).

In the first six months 2021, the sales revenues amounted to PLN 1,569,373 thousand (paper sales: PLN 1,074,120 thousand, pulp sales: PLN 495,253 thousand), as compared to PLN 1,429,948 thousand (paper sales: PLN 991,553 thousand, pulp sales: PLN 438,395 thousand) generated in the equivalent period of the previous year. That means a growth of revenues by PLN 139,425 thousand (growth of paper sales by PLN 82,567 thousand growth of pulp sales by PLN 56,858 thousand) and respectively by +9.8% (for sales paper by +8.3% and pulp sales by +13.0%).

Paper sales volume in Q2 2021 amounted to 149 thousand tonnes compared to 115 thousand tonnes in the same period of the previous year. The change represents an increase of 34 thousand tonnes and by +29.6% respectively. Pulp sales volume in Q2 2021 amounted to 101 thousand tonnes compared to 95 thousand tonnes in the same period of the previous year. The change represents an increase of 6 thousand tonnes and by +6.3% respectively.

Paper sales volume in H1 2021 amounted to 310 thousand tonnes compared to 286 thousand tonnes in the same period of the previous year. The change represents an increase of 24 thousand tonnes and by +8.4% respectively. Pulp sales volume in H1 2021 amounted to 210 thousand tonnes compared to 196 thousand tonnes in the same period of the previous year. The change represents an increase of 14 thousand tonnes and by +7.1% respectively.

Profit on sales, costs of sales, selling and distribution costs, and administrative expenses

In H1 2021, profit on sales amounted to PLN 323,094 thousand. This result was by 9.7% higher than in the equivalent period of the previous year. Sales profit margin in the current year stood at 20.59% compared to 20.60% (+0.0 p.p.) in the same period of the previous year. The comparable percentage increase in paper and pulp sales revenue and cost of sales was reflected in the stable sales profit margin for H1 2021 and 2020.

In the reporting period, the selling and distribution costs amounted to PLN 182,233 thousand which was an increase by 9.4% compared to the costs incurred in H1 2020. The selling and distribution costs include primarily costs of transport of finished products to counterparties.

In H1 2021, the administrative expenses amounted to PLN 48,668 thousand which was an increase by 25.4% compared to the costs incurred in H1 2020. The administrative expenses are composed primarily of the costs of advisory and administrative services in the Group. Increase of these costs, in particular in Rottneros Group, contributed to the increase of total administrative expenses.

Other operating income and expenses

Other operating income totalled PLN 25,566 thousand in H1 2021 which was a decrease as compared to the equivalent period of the previous year by PLN 8,638 thousand. Other operating income consisted mainly of revenues from heat and electricity sales as well as sales revenues from other materials and CO2 emission rights. The lower value of other operating income in the current period was due mainly to lower sales of CO2 emission rights. In addition, in H1 2020, the Group received compensation in the amount of PLN 3,995 thousand.

Other operating expenses totalled PLN 20,052 thousand in H1 2021, which was a increase as compared to the equivalent period of the previous year by PLN 584 thousand. The other operating expenses comprised mainly the costs of electricity and heat sales as well as the costs of other materials sold.

Financial income and financial expenses

In H1 2021, financial income and expenses amounted to PLN 1,737 thousand and PLN 14,347 thousand respectively, which was an increase of income as compared to the equivalent period of the previous year by PLN 1,024 thousand and a decrease of expenses by PLN 1,828 thousand.

The changes to financial income and expenses were primarily due to the amount of net FX differences and interest expense. In H1 2021, the Group recorded a surplus of FX profit over FX losses of PLN 612 thousand (financial income). In the equivalent period of 2020, the Group recorded a surplus of FX losses over FX profit of PLN 1,744 thousand (financial expenses).

Income tax

For the six months of 2021, income tax amounted to PLN -17,229 thousand, while in the equivalent period in 2020 it was PLN -15,372 thousand.
The current portion of income tax in the analysed semi-annual period amounted to PLN -13,809 thousand (H1 2020: PLN -9,255 thousand), while the deferred portion to PLN -3,420 (H1 2020: PLN -6,117 thousand).

Profitability analysis

EBITDA on continuing operations in H1 2021 amounted to PLN 156,407 thousand, while in the equivalent period in 2020 it was PLN 159,851 thousand. In the reporting period, the EBITDA margin was 9.97% compared to 11.18% for the first six months of 2020. The decrease in EBIDTA was primarily due to higher administrative expenses and lower other operating income in H1 2021.
In H1 2021, the result on continuing operations amounted to PLN +97,708 thousand as compared to the profit of PLN +103,896 thousand in the equivalent period in the previous year. The changes resulted in a decrease of operational profit margin from +7.27% in the first six months of 2020 to +6.23% in the equivalent period of 2021. The decrease in margin is due to lower EBITDA and higher depreciation and amortisation expenses in H1 2021 compared to the same period last year.
In H1 2021, net profit amounted to PLN +67,869 thousand as compared to PLN +73,062 thousand in H1 2020. Net profit margin accrued after the six months of 2021 amounted to +4.32% as compared to +5.11% in the equivalent period of 2020.

PLN'000	2Q 2021	1Q 2021	2Q 2020	1H 2021	1H 2020	Change % Q2 2021/ Q1 2021	Change % Q2 2021/ Q2 2020	Change % H1 2021/ H1 2020
Profit / (loss) on sales	170 754	152 340	106 605	323 094	294 535	12,1	60,2	9,7
% of sales revenues	*21,71*	*19,46*	*17,31*	*20,59*	*20,60*	*2,2 p.p.*	*4,4 p.p.*	*(0,0) p.p.*
EBITDA	**84 175**	**72 233**	**48 017**	**156 407**	**159 851**	**16,5**	**75,3**	**(2,2)**
% of sales revenues	*10,70*	*9,23*	*7,79*	*9,97*	*11,18*	*1,5 p.p.*	*2,9 p.p.*	*(1,2) p.p.*
EBIT	**54 525**	**43 183**	**24 231**	**97 708**	**103 896**	**26,3**	**125,0**	**(6,0)**
% of sales revenues	*6,93*	*5,52*	*3,93*	*6,23*	*7,27*	*1,4 p.p.*	*3,0 p.p.*	*(1,0) p.p.*
Net profit / (loss)	**35 600**	**32 269**	**10 773**	**67 869**	**73 062**	**10,3**	**230,5**	**(7,1)**
% of sales revenues	*4,53*	*4,12*	*1,75*	*4,32*	*5,11*	*0,4 p.p.*	*2,8 p.p.*	*(0,8) p.p.*
Return on equity / ROE (%)	*3,3*	*3,1*	*1,2*	*6,3*	*7,9*	*0,2 p.p.*	2,2 p.p.	(1,6) p.p.
Return on assets / ROA (%)	*1,6*	*1,5*	*0,5*	*3,0*	*3,6*	*0,1 p.p.*	1,1 p.p.	(0,5) p.p.

In H1 2021, return on equity was +6.3% while in the equivalent period of 2020 it was +7.9%.
Return on assets decreased from +3.6% in H1 2020 to +3.0% in H1 2021.
Lower return on equity and return on assets ratios were due primarily to the lower net profit generated in H1 2021 compared to the equivalent period last year.
Additionally, the decrease in return on assets was impacted by the higher value of fixed assets at the end of June 2021 compared to 30 June 2020.

Selected items of the consolidated statement of financial position

PLN'000	30.06.2021	31.12.2020	30.06.2020	Change 30.06.2020 -31.12.2019	Change 30.06.2020 -30.06.2019
Fixed assets	1 188 452	1 194 503	1 125 025	(6 051)	63 428
Inventories	385 130	365 491	369 174	19 639	15 956
Receivables	392 856	302 751	313 121	90 105	79 735
Trade receivables	*385 229*	*297 543*	*306 000*	*87 686*	*79 229*
Other current assets	32 938	18 337	18 087	14 601	14 850
Cash and cash equivalents	244 764	255 563	220 268	(10 799)	24 497
Total assets	**2 244 140**	**2 136 646**	**2 045 675**	**107 495**	**198 465**
Equity	1 069 654	1 033 033	921 012	36 620	148 641
Short-term liabilities	611 490	639 016	567 455	(27 527)	44 034
of which:					
trade and other payables	*461 456*	*367 751*	*350 145*	*93 706*	*111 311*
interest-bearing debt	*42 386*	*148 426*	*99 462*	*(106 040)*	*(57 076)*
other non-financial liabilities	*107 647*	*122 840*	*117 848*	*(15 192)*	*(10 201)*
Long-term liabilities	562 997	464 596	557 207	98 401	5 790
of which:					
interest-bearing debt	*355 021*	*241 144*	*342 592*	*113 877*	*12 430*
other non-financial liabilities	*207 976*	*223 452*	*214 615*	*(15 476)*	*(6 640)*
Total equity and liabilities	**2 244 140**	**2 136 646**	**2 045 675**	**107 495**	**198 465**

There has been a change in the presentation of the liabilities of the consolidated statement of financial position as at 31 December 2020 and 30 June 2020 due to the change in presentation described in note 6.3 of the interim consolidated financial statements.

As at 30 June 2021 total assets amounted to PLN 2,244,140 thousand, as compared to PLN 2,136,646 thousand at the end of 2020.

Fixed assets

At the end of June 2021 fixed assets accounted for 53.0% of total assets versus 55.9% at the end of 2020. The value of fixed assets dropped in the current half-year period by PLN 6,051 thousand. This was mainly due to a decrease in deferred tax assets.

Current assets

Current assets understood as a sum of inventories, receivables, other current assets and cash and cash equivalents.
As at the end of June 2021, current assets amounted to PLN 1,055,688 thousand as compared to PLN 942,142 thousand at the end of December 2020. As part of the current assets, inventories increased by PLN 19,639 thousand, and receivables increased by PLN 90,105 thousand, other current assets grew by PLN 14,601 thousand, while cash and cash equivalents dropped by PLN 10,799 thousand. Current assets represented 47.0% of total assets as at the end of June 2021 (44.1% as at the end of 2020) and included inventories – 17.2% (17.0% as at the end of 2020), receivables – 17.4% (14.2% as at the end of 2020), other current assets – 1.5% (0.9% as at the end of 2020) and cash and cash equivalents – 10.9% (12.0% as at the end of 2020).

Equity

As at the end of the current period, equity amounted to PLN 1,069,654 thousand as compared to PLN 1,033,033 thousand at the end of 2020. As at the end of June 2021 equity accounted for 47.7% of total equity and liabilities versus 48.3% of balance sheet total as at 31 December 2020. The increase in equity was a result of the net profit for H1 2021 offset in part mainly by a reduction in the valuation of subsidiaries for which the functional currency is other than PLN, recognised in other comprehensive income and the allocation of part of retained earnings and reserves to the payment of dividends to the shareholders of AP SA.

Short-term liabilities

As at the end of June 2021, short-term liabilities amounted to PLN 611,490 thousand (27.2% of balance sheet total) as compared to PLN 639,016 thousand (29.9% of balance sheet total) as at the end of 2020. In the period under review, there was an decrease in short-term liabilities by PLN 27,527 thousand.

Long-term liabilities

As at the end of June 2021, long-term liabilities amounted to PLN 562,997 thousand (25.1% of balance sheet total) as compared to PLN 464,596 thousand (21.8% of balance sheet total) as at the end of 2020. In the period under report, an increase of long-term liabilities occurred by PLN 98,401 thousand, which was the result of the refinancing of the loan facility described in the Other material information paragraph in this Management Report and note 17 to the interim consolidated financial statements.

Debt analysis

	2Q 2021	1Q 2021	2Q 2020	Change % Q2 2021/ Q1 2021	Change % Q2 2021/ Q2 2020
Debt to equity ratio (%)	109,8	104,1	122,1	5,7 p.p.	(12,3) p.p.
Equity to fixed assets ratio (%)	90,0	88,3	81,9	1,7 p.p.	8,1 p.p.
Interest-bearing debt-to-equity ratio (%)	37,2	36,5	48,0	0,7 p.p.	(10,8) p.p.
Net debt to EBITDA ratio for the last 12 months (x)	0,6x	0,7x	0,8x	(0,1)	(0,3)
EBITDA to interest coverage ratio (x)	14,9x	12,8x	11,7x	2,1	3,1

As at the end of June 2021, debt to equity ratio amounted to 109.8% and was higher by 5.7 p.p. compared to the end of March of 2021 and lower by 12.3 p.p. compared to the end of June 2020. The equity to fixed assets ratio was 90.0% and was higher by 1.7 p.p. than at the end of March 2021 and higher by 8.1 p.p. than at the end of June 2020.
Interest bearing debt to equity ratio amounted to 37.2% as at the end of the current half year and was higher by 0.7 p.p. compared to the end of March 2021 and lower by 10.8 p.p. compared to the level of the ratio calculated at the end of June 2020.
The net debt-to-EBITDA ratio calculated for the last 12 months ended on 30 June 2021 amounted to 0.6x compared to 0.7x in the equivalent period ended on 31 March 2021 and 0.8x for the period ended on 30 June 2020.
The EBITDA to interest coverage ratio for the 12 months ended 30 June 2021 was 14.9x and 12.8x and 11.7x for the periods ended 31 March 2021 and 30 June 2020 respectively.

Liquidity analysis

	2Q 2021	1Q 2021	2Q 2020	Change % Q2 2021/ Q1 2021	Change % Q2 2021/ Q2 2020
Current ratio	**1,7x**	**1,5x**	**1,6x**	**0,2**	**0,1**
Quick ratio	**1,1x**	**0,9x**	**0,9x**	**0,1**	**0,1**
Acid test ratio	**0,4x**	**0,3x**	**0,4x**	**0,1**	**0,0**
DSI (days)	56,3	49,9	65,2	6,4	(8,9)
DSO (days)	44,1	41,0	44,7	3,1	(0,6)
DPO (days)	67,4	55,0	61,9	12,4	5,6
Operational cycle (days)	100,4	90,8	109,9	9,5	(9,6)
Cash conversion cycle (days)	**32,9**	**35,8**	**48,1**	**(2,9)**	**(15,1)**

The liability cycle and cash conversion cycle have been recalculated for the quarter ended 31 March 2021 and 30 June 2020 due to the change in presentation described in note 6.3 of the interim consolidated financial statements.

The current ratio as at the end of June 2021 was 1.7x and it grew by 0.2 in relation to the level as at the end of Q1 2021 and has not changed significantly compared to the end of June 2020.
The quick ratio reached the level of 1.0x at the end of June 2021 and decreased by 0.2 in relation to the level as at 31 March 2021 and 30 June 2020.
The cash ratio as at the end of Q2 2021 was 0.4 and it did not change materially in relation to the level as at the end of 31 March 2021 and 30 June 2020.
The cash conversion cycle in Q2 2021 was 32.9 days and was by 2.9 days shorter compared to the end of Q1 2021 and by 15.1 days shorter than reported at the end of Q2 2020.

Selected items of the consolidated statement of cash flow

PLN'000	2Q 2021	1Q 2021	2Q 2020	1H 2021	1H 2020	Change % Q2 2021/ Q1 2021	Change % Q2 2021/ Q2 2020	Change % H1 2021/ H1 2020
Cash flows from operating activities	30 612	24 076	(675)	54 688	70 106	27,1	(4 635,6)	(22,0)
of which:								
Gross profit (loss)	*46 201*	*38 897*	*15 017*	*85 098*	*88 434*	*18,8*	*207,7*	*(3,8)*
Depreciation/amortisation and impairment charges	*29 650*	*29 050*	*23 786*	*58 699*	*55 955*	*2,1*	*24,7*	*4,9*
Changes to working capital	*(46 236)*	*(35 512)*	*(35 941)*	*(81 748)*	*(80 586)*	*30,2*	*28,6*	*1,4*
Other adjustments	*997*	*(8 359)*	*(3 538)*	*(7 362)*	*6 303*	*(111,9)*	*(128,2)*	*(216,8)*
Cash flows from investing activities	(27 383)	(35 514)	(39 568)	(62 898)	(77 133)	(22,9)	(30,8)	(18,5)
Cash flows from financing activities	27 392	(24 347)	(12 415)	3 045	(46 600)	(212,5)	(320,6)	(106,5)
Total cash flows	**30 620**	**(35 785)**	**(52 658)**	**(5 165)**	**(53 627)**	**(185,6)**	**(158,1)**	**(90,4)**

Cash flows from operating activities

In the first six months of 2021, net cash flows from operating activities amounted to PLN +54,688 thousand as compared to PLN +70,106 thousand in the equivalent period of 2020. Higher income tax payments for H1 2021 than in the equivalent period of 2020 mainly contributed to lower positive cash flows from operating activities.

Cash flows from investing activities

In H1 2021, cash flows from investing activities amounted to PLN -62,898 thousand as compared to PLN -77,133 thousand in the equivalent period of the previous year. The negative cash flows from investing activities resulted from expenditures on tangible fixed assets and intangible assets. In addition, in H1 2020 the RROS Group acquired Nykvist, a subsidiary, and the related expenditure amounted to PLN 6,089 thousand.

Cash flows from financing activities

In H1 2021, cash flows from financing activities amounted to PLN +3,045 thousand as compared to PLN -46,600 thousand in the equivalent period of 2020. The positive cash flows from financing activities in 2021 are mainly a result of the refinancing of loans and repayment of PLN bonds described in the paragraph Other material information in this Management Report and note 17 of the interim consolidated financial statements.

Summary of standalone financial results

Selected items of the standalone statement of profit and loss

PLN'000	Q2 2021	Q1 2021	Q2 2020	H1 2021	H1 2020	Change % Q2 2021/ Q1 2021	Change % Q2 2021/ Q2 2020	Change % H1 2021/ H1 2020
Sales revenues	**7 148**	**4 690**	**5 840**	**11 838**	**11 012**	**52**	**22**	**8**
of which:								
Sales of services	5 712	3 863	4 750	9 575	8 994	48	20	6
Interest income on loans	676	827	787	1 503	1 713	(18)	(14)	(12)
Dividend income	760	-	304	760	304	-	150	150
Profit on sales	6 415	3 923	4 469	10 338	8 361	64	44	24
% of sales revenues	89,75	83,64	76,51	87,33	75,93	6,1 p.p.	13,2 p.p.	11,4 p.p.
Administrative expenses	(5 664)	(4 467)	(4 842)	(10 131)	(10 325)	27	17	(2)
Other operating income	1	287	40	288	311	(100)	(98)	(7)
Other operating expenses	(610)	(360)	(82)	(970)	(690)	69	646	41
EBIT	**142**	**(617)**	**(415)**	**(475)**	**(2 343)**	**(123)**	**(134)**	**(80)**
% of sales revenues	1,98	(13,16)	(7,11)	(4,02)	(21,28)	15,1 p.p.	9,1 p.p.	17,3 p.p.
EBITDA	**255**	**(490)**	**(439)**	**(235)**	**(2 095)**	**(152)**	**(158)**	**(89)**
% of sales revenues	3,56	(10,45)	(7,52)	(1,99)	(19,03)	14,0 p.p.	11,1 p.p.	17,0 p.p.
Financial income	2 056	1 078	1 127	3 134	2 422	91	82	29
Financial expenses	(2 229)	(7 541)	(646)	(9 770)	(7 804)	(70)	245	25
Gross profit (loss)	**(31)**	**(7 080)**	**66**	**(7 111)**	**(7 725)**	**(100)**	**(148)**	**(8)**
Income tax	-	-	-	-	-	-	-	-
Net profit / (loss)	**(31)**	**(7 080)**	**66**	**(7 111)**	**(7 725)**	**(100)**	**(148)**	**(8)**
% of sales revenues	(0,44)	(150,96)	1,13	(60,07)	(70,15)	150,5 p.p.	(1,6) p.p.	10,1 p.p.

Revenues, profit on sales, costs of sales

The main statutory activity of the Company is the activity of a holding company, consisting in managing of entities belonging to the controlled Capital Group. The operations of the Arctic Paper Group are conducted through Paper Mills and Pulp Mills, as well as Sales Offices.

In Q2 2021, the standalone sales revenues amounted to PLN 7,148 thousand and comprised services provided to Group companies (PLN 5,712 thousand), interest income on loans (PLN 676 thousand) and dividend income (PLN 760 thousand). In the equivalent period of the previous year, the standalone sales revenues amounted to PLN 5,840 thousand, and comprised services provided to Group companies (PLN 4,750 thousand), interest income on loans (PLN 787 thousand) and dividend income (PLN 304 thousand).

In H1 2021, the standalone sales revenues amounted to PLN 11,838 thousand and comprised services provided to Group companies (PLN 9,575 thousand) interest income on loans (PLN 1,503 thousand) and dividend income (PLN 760 thousand). In the equivalent period of the previous year, the standalone sales revenues amounted to PLN 11,012 thousand, and comprised services provided to Group companies (PLN 8,994 thousand) interest income on loans (PLN 1,713 thousand) and dividend income (PLN 304 thousand). That means an increase of sales revenues in H1 2021 by PLN 826 thousand compared to the equivalent period in 2020.

Profit on sales amounted to PLN 10,338 thousand in H1 2021 and grew by PLN 1,977 thousand compared to the equivalent period of the previous year.

Selling and distribution costs

The Company did not recognise cost selling and distribution costs in H1 2021 as well as in 2020.

Administrative expenses

In H1 2021, the administrative expenses amounted to PLN 10,131 thousand which was a decrease as compared to the equivalent period of the previous year by PLN 194 thousand. The drop of costs was primarily due to the implemented organisational changes and the savings program in the company.

The administrative expenses include costs of the administration of the Company operation, costs of services provided for the companies in the Group and all costs incurred by the Company for the purposes of pursuing holding company activities. Among them, a group of costs relates only to statutory activities and includes, among others: costs of tax, legal and accounting services, as well as the costs of the Supervisory Board and the Management Board.

Other operating income and expenses

Other operating income totalled PLN 288 thousand in H1 2021, which was a decrease as compared to the equivalent period of the previous year by PLN 23 thousand.

At the same time there was an increase of other operating expenses that reached the level of PLN 970 thousand. The higher level of other operating costs was due to the recognised allowance for impairment of assets a Arctic Paper Mochenwangen GmbH for PLN 904 thousand.

Financial income and financial expenses

In H1 2021, the financial income amounted to PLN 3,134 thousand and was by PLN 712 thousand higher than the income generated in H1 2020. The financial expenses after the six months of 2021 amounted to PLN 9,770 thousand and largely referred to interest expenses on the received bank loans (PLN 8,777 thousand) and costs of financial transactions. In the equivalent period of 2020, the financial expenses amounted to PLN 7,804 thousand.

Selected items of the standalone statement of financial position

PLN'000	30.06.2021	31.12.2020	30.06.2020	Change 30.06.2021 -31.12.2020	Change 30.06.2021 -30.06.2020
Fixed assets	683 050	701 798	712 616	(18 748)	(29 566)
Receivables	27 707	28 973	48 555	(1 266)	(20 848)
Other current assets	114 018	111 198	85 260	2 820	28 758
Cash and cash equivalents	22 493	40 148	25 110	(17 655)	(2 617)
Total assets	**847 268**	**882 117**	**871 541**	**(34 849)**	**(24 274)**
Equity	545 629	570 594	559 811	(24 965)	(14 182)
Short-term liabilities	185 625	280 473	217 749	(94 848)	(32 124)
interest-bearing debt	139 650	252 112	196 184	(112 462)	(56 534)
Long-term liabilities	116 014	31 049	93 981	84 965	22 033
interest-bearing debt	113 084	28 093	91 410	84 991	21 674
Total equity and liabilities	**847 268**	**882 117**	**871 541**	**(34 849)**	**(24 273)**

As at 30 June 2021 total assets amounted to PLN 847,268 thousand, as compared to PLN 882,117 thousand at the end of 2020. The decrease in assets was mainly due to lower fixed assets, receivables and cash in the period under review.

Fixed assets

At the end of June 2021 fixed assets accounted for 80.6% of total assets versus 79.6% at the end of 2020. The value of fixed assets dropped in the current half-year period by PLN 18,748 thousand. The main item of fixed assets includes interests in subsidiaries. At the end of H1 2021, the value was PLN 676,137 thousand and there was no change compared to 31 December 2020.

Current assets

As at the end of June 2021, current assets amounted to PLN 164,218 thousand as compared to PLN 180,319 thousand at the end of December 2020.

As part of the current assets, receivables decreased by PLN 1,266 thousand, other current assets increased by PLN 2,820 thousand while cash and cash equivalents decreased by PLN 17,655 thousand. As at the end of June 2021, current assets accounted for 19.5% of total assets (20.4% as at the end of 2020).

Equity

At the end of the H1 2021, the equity amounted to PLN 545,629 thousand as compared to PLN 570,594 thousand at the end of 2020. That was a decrease of equity by PLN 24,965 thousand, mainly due to the decision of the General Meeting of Shareholders to pay out a dividend (PLN 20,786 thousand) and the net loss recorded in H1 2021. As at the end of June 2021 equity accounted for 64.3% of balance sheet total versus 64.7% of balance sheet total as at the end of 2020.

Short-term liabilities

As at the end of June 2021, short-term liabilities amounted to PLN 185,625 thousand (21.9% of balance sheet total) as compared to PLN 280,473 thousand (31.8% of balance sheet total) as at the end of 2020. The decrease in short-term loans, borrowings and bonds is mainly due to the repayment of loans and bonds reported as short-term at the end of 2020 and the conclusion of new long-term loan agreements.

Long-term liabilities

As at the end of June 2021, long-term liabilities amounted to PLN 116,014 thousand (13.7% of balance sheet total) as compared to PLN 31,047 thousand (3.5% of balance sheet total) as at the end of 2020. The increase in long-term liabilities is due to the conclusion of new loan agreements as described above.

Selected items of the standalone statement of cash flow

PLN'000	2Q 2021	1Q 2021	1H 2021	1H2020	Change % 2Q2021/ 1Q2021	Change % 2Q2020/ 1Q2020
Cash flows from operating activities	(23 779)	(6 170)	(29 949)	41 810	285,4	(171,6)
of which:						
Gross profit (loss)	*(31)*	*(7 080)*	*(7 111)*	*(7 725)*	*(99,6)*	*(7,9)*
Depreciation/amortisation and impairment charges	*113*	*127*	*240*	*399*	*(11,0)*	*(39,8)*
Changes to working capital	*413*	*(2 007)*	*(1 594)*	*(3 830)*	*(120,6)*	*(58,4)*
Net interest and dividends	*2 041*	*2 245*	*4 286*	*6 716*	*(9,1)*	*(36,2)*
Increase / decrease of loans granted to subsidiaries	*26 918*	*13 124*	*40 043*	*17 451*	*105,1*	*129,5*
Change to liabilities due to cash-pooling	*(57 468)*	*(14 280)*	*(71 748)*	*23 017*	*302,4*	*(411,7)*
Other adjustments	*4 236*	*1 700*	*5 936*	*5 782*	*149,1*	*2,7*
Cash flows from investing activities	-	-	-	-	-	-
Cash flows from financing activities	30 669	(18 376)	12 293	(48 638)	(266,9)	(125,3)
Total cash flows	**6 890**	**(24 545)**	**(17 655)**	**(6 828)**	**(128,1)**	**158,6**

The statement of cash flow presents a decrease in cash in H1 2021 by PLN 17,655 thousand, which includes:

- negative cash flows from operating activities of PLN -29,949 thousand,
- no cash flows from investing activities,
- positive cash flows from financial activities of PLN 12,293 thousand.

Cash flows from operating activities

In H1 2021, net cash flows from operating activities amounted to PLN -29,949 thousand as compared to PLN 41,810 thousand in the equivalent period of 2020. The cash flows from operating activities in H1 this year include loans granted to subsidiaries and a change of liabilities under cash-pooling.

Cash flows from investing activities

In H1 2021, as in the equivalent period of the previous year, cash flows from investing activities amounted to PLN 0 thousand.

Cash flows from financing activities

In H1 2021, cash flows from financing activities amounted to PLN 12,293 thousand as compared to PLN -48,638 thousand in the equivalent period of 2020. In 2021, the positive flows were related to the conclusion of a new loan agreement and the receipt of the financing resulting from this agreement.

Relevant information and factors affecting the financial results and the assessment of the financial standing.

Key factors affecting the performance results

The Group's operating activity has been and will continue to be historically influenced by the following key factors:

— macroeconomic and other economic factors,
— demand growth for products based on natural fibres,
— reduced demand for certain paper types,
— fluctuations of paper prices,
— pulp price fluctuations for Paper Mills, timber for Pulp Mills and energy prices,
— FX rates fluctuation.

Macroeconomic and other economic factors

We believe that a number of macro-economic and other economic factors have a material impact on the demand for high-quality paper, and they may also influence the demand for the Group's products and the Group's operating results. Those factors include:

— GDP growth,
— net income – as a metric of income and affluence of the population,
— production capacity – the surplus of supply in the high quality paper segment over demand and decreasing sales margins on paper,
— paper consumption,
— technology development.

Demand growth for products based on natural fibres

The trend observed in developed societies concerning a reduction of man's adverse impact on the environment, in particular reduction of use of disposable, plastic packaging that may not be recycled, offers new opportunities for the development of the pulp & paper sector. In many companies, work has been under way to develop new methods of packaging and production of packaging with natural materials, including pulp, so that it can be recycled. Arctic Paper is also involved in such research. In the near future, the product segment is expected to increase its percentage share in the volumes and revenues of the Arctic Paper Group.

Reduced demand for certain paper types

Development of new technologies, in particular in the areas of information and communication, results in decreasing demand for certain paper types – in particular, this affects newsprint and to a lesser extent – graphic papers. However, despite the increasing popularity of e-books, the volume of book paper produced and sold by Arctic Paper has been stable in the recent years, less sensitive to changing market conditions. Nevertheless, in its strategy Arctic Paper has set a direction of activity so that within several years, the segment of non-graphic papers (that is technical or packaging paper) accounts for 1/5 of its consolidated revenues.

Paper prices

Paper prices undergo cyclic changes and fluctuations, they depend on global changes in demand and overall macroeconomic and other economic factors such as indicated above. Prices of paper are also influenced by a number of factors related to the supply, primarily changes in production capacities at the worldwide and European level.

Costs of raw materials, energy and transportation

The main elements of the Group's operating expenses include raw materials, energy and transportation. The costs of raw materials include mainly the costs of pulp for Paper Mills, timber for Pulp Mills and chemical agents used for paper and pulp production. Our energy costs historically include mostly the costs of electricity, gas and rights to CO2 emissions. The costs of transportation include the costs of transportation services provided to the Group mainly by external entities.

Taking into account the share of those costs in total operating expenses of the Group and the limited possibility of controlling these costs by the Group Companies, their fluctuations may have a major impact on the Group's profitability.

Most of the pulp produced at the Pulp Mills is sold to external customers. A part of pulp supplies to the Group's Paper Mills is made from the Group's own Pulp Mills.

Currency rate fluctuations

The Group's operating results are significantly influenced by currency rate fluctuations. In particular, the Group's revenues and costs are expressed in different foreign currencies and are not matched, therefore, the appreciation of the currencies in which we incur costs towards the currencies in which we generate revenues, will have an adverse effect on the Group's results. Our products are primarily sold to euro zone countries, Scandinavia, Poland and the UK, thus our revenues are largely denominated in EUR, GBP, SEK and PLN while revenues from the Pulp Mills are primarily denominated in USD. The Group's operating expenses are primarily expressed in USD (pulp costs for Paper Mills), EUR (costs related to pulp for Paper Mills, energy, transportation, chemicals), PLN (the majority of other costs incurred by the Paper Mill in Kostrzyn nad Odrą) and SEK (the majority of other costs incurred by the Munkedal and Grycksbo Paper Mills as well as the Rottneros and Vallvik Pulp Mills).

Exchange rates also have an important impact on results reported in our financial statements because of changes in exchange rates of the currencies in which we generate revenues and incur costs, and the currency in which we report our financial results (PLN).

Unusual events and factors

In H1 2021 there were no atypical events or factors other than related to COVID-19, that are detailed in item 5.1 of the attached interim abbreviated consolidated financial statements.

Impact of changes in Arctic Paper Group's structure on the financial result

In H1 2021, there were no changes in the Arctic Paper Group's structure that would have material influence on the financial result generated.

Other material information

Complete early redemption of the Bonds issued by Arctic Paper S.A.

On 8 February 2021, the Company's Management Board adopted a resolution on the early redemption of all Series A Bonds (marked with ISIN code: PLARTPR00038), the issue of which the Company reported in current report No. 24/2016 of 30 September 2016.

The early redemption of the Bonds, was carried out on 1 March 2021. On the Early Redemption Date, the Company redeemed 100,000 (in words: one hundred thousand) Bonds with a total nominal value of PLN 58,500,000 (in words: fifty-eight million five hundred zlotys). The consideration per Bond amounted to PLN 585, plus accrued interest and a premium, calculated in accordance with the terms and conditions of the Bond issue. The redeemed Bonds were cancelled.

Conclusion by Arctic Paper S.A. of a material agreement related to the refinancing process and loan disbursement

On 2 April 2021 the Company signed a term and revolving facilities agreement ("Loan Agreement") which was concluded between the Company as the borrower and guarantor, subsidiaries of the Company: Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals

AB and Arctic Paper Grycksbo AB, as guarantors ("Guarantors") and a consortium of banks as follows: Santander Bank Polska S.A. (the "Collateral Agent"), BNP Paribas Bank Polska S.A. and Bank Polska Kasa Opieki S.A. (jointly: the "Lenders"), pursuant to which the Lenders granted to the Company a term loan divided into two tranches in the amounts of PLN 75,000,000 and EUR 16,100,000, respectively, and a revolving loan in the total amount of EUR 32,200,000 (jointly: the "Loans").

In order to secure the claims of the Lenders under the Loan Agreement and the related financing documents, the Company and the Guarantors established, inter alia, the following securities: registered pledge and financial pledge on the shares of Arctic Paper Kostrzyn S.A., pledges on the shares of companies under Swedish law, i.e. Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, statements on submission to execution by the Company and Arctic Paper Kostrzyn S.A, registered and financial pledges on bank accounts of the Company and Arctic Paper Kostrzyn S.A., pledges on bank accounts of Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, mortgages established on real properties of Arctic Paper Kostrzyn S.A, mortgages established on properties of Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, registered pledges on assets of Arctic Paper Kostrzyn S.A. and security of rights under property insurance policies of the Company, Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB.

The agreements listed above constitute the acquisition of alternative financing and a change to the funding structure of the Company's capital group.

In accordance with the Loan Agreement, the Lenders provided the Company with the following Loans:
(i) a Term Loan repayable in two tranches: the first tranche in the amount of PLN 75,000,000 (seventy five million) and the second tranche in the amount of EUR 16,100,000 (sixteen million and one hundred thousand euro) (the "Term Loan"); and
(ii) a revolving loan of EUR 32,200,000 (thirty-two million, two hundred thousand euro) (the "Revolving Loan").

Subject to the relevant terms of the Loan Agreement, the Term Loan was made available to refinance the existing financial indebtedness of the Company and its certain subsidiaries.

Subject to the relevant terms and conditions of the Loan Agreement, amounts raised under the Revolving Loan may be used for general corporate purposes and to fund the working capital of the Company and its certain subsidiaries (including intra-group lending in any form).

In accordance with the provisions of the Loan Agreement interest rate is variable, based on the WIBOR base rate in the case of financing in PLN and the EURIBOR base rate in the case of financing in EUR and a variable margin, the level of which will depend on the level of the net debt to EBITDA ratio.

In compliance with the Loan Agreement, some Loans will be repaid by:
(i) in the case of a Term Loan, on the day falling five years after the date of conclusion of the Loan Agreement; and
(ii) in the case of a Revolving Loan, on the date falling three years after the conclusion of the Loan Agreement with the option to extend the terms of the Revolving Loan for an additional two years in accordance with the terms of the Loan Agreement.

The Term Loans are repayable in equal semi-annual instalments commencing in November 2021 and the Revolving Loan is repayable on the final repayment date.

On 28 May 2021, the loan amounts were made available to the Company by the Lenders in accordance with the Loan Agreement. In connection with the disbursement of the Loans there has been:

i. the full repayment of the Company's existing indebtedness under the Term and Revolving Facilities Agreement of 9 September 2016 (as amended) entered into between the Company, as lender, the Company's subsidiaries: Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, as guarantors and a consortium of banks as follows: BNP Paribas Bank Polska S.A., European Bank for Reconstruction and Development and Santander Bank Polska S.A. as mandated lead arrangers and lenders, Santander Bank Polska S.A. as agent and BNP Paribas Bank Polska S.A. as collateral agent (the "Previous Loan Agreement"), the execution of which was announced by the Company in current report No. 20/2016 of 9 September 2016; and
ii. closing and full settlement of the closing amount in respect of interest rate hedging transactions (irs) entered into in connection with the Prior Loan Agreement (the "Hedging Agreements").

At the same time, with the repayment of the Company's indebtedness under the Previous Loan Agreement, the Hedging Agreements and the early redemption of all of the Series A Bonds, as announced by the Company in current report No. 8/2021 of 1 March 2021, all collateral provided by the Company and the Company's subsidiaries expired: Arctic Paper Kostrzyn S.A., Arctic

Paper Munkedals AB and Arctic Paper Grycksbo AB in connection with an intercreditor agreement, under the English name – intercreditor agreement – concluded between the Company, Mr. Thomas Onstad, Santander Bank Polska (formerly: Bank Zachodni WBK S.A.), Haitong Bank Spółka Akcyjna, BNP Paribas Bank Polska S.A. (formerly: Bank BGŻ BNP Paribas S.A.) and other parties (the "Intercreditor Agreement"). The Company reported on the conclusion of the Intercreditor Agreement and the establishment of collateral in connection with this agreement in current report No. 20/2016 of 9 September 2016.

Proceedings before the General Court of the European Union concerning the grant of emission rights to Arctic Paper Grycksbo AB

On 19 May 2021, Arctic Paper Grycksbo AB filed an application with the General Court of the European Union (the "General Court") in Case T-269/21, seeking the annulment of European Commission Decision No. 2021/355 (the "Decision"), adopted on 25 February 2021, which is the formal means by which the European Commission (the "Commission") approves the lists of installations and undertakings of individual European Union Member States under the EU Emissions Trading Scheme (EU ETS).

Pursuant to Article 1.1 of the Decision and Appendix I, the application for inclusion of Arctic Paper Grycksbo AB in the Swedish list of installations admitted to the EU ETS that is the basis for receiving free allocation of emission allowances was rejected. The Commission's reason for rejecting the application was that, in its view, Arctic Paper Grycksbo AB was using only biomass in its installation. The application for annulment concerns both the administrative errors made by the Commission in determining the level of biomass use by Arctic Paper Grycksbo AB and the legal interpretation of certain provisions of the EU ETS Directive.

The value of the free emission allowances that Arctic Paper Grycksbo AB could receive, calculated on the basis of the current market value, is approximately EUR 3 million per year for the period 2021-2027.

The General Court of the European Union has given the European Commission until 30 July 2021 to submit its position in the proceedings. The Court will then decide on the admission of third parties and whether an answer and rejoinder will be given by Arctic Paper Grycksbo AB and the European Commission respectively. The written part of the procedure will be followed by an oral procedure. The resolution of the proceedings is not expected until the second half of 2022 at the earliest. The judgment of the General Court may be appealed before the Court of Justice of the European Union.

Redemption of bonds issued by Rottneros AB

On 8 July 2021, the subsidiary Rottneros AB decided on an early redemption of all bonds issued under the bond issue programme of up to SEK 600 million (i.e. up to PLN 267.5 million), which the Company reported in current report No. 16/2017 of 28 August 2017. The early redemption of the Bonds was carried out on 19 July 2021. The redemption of the bonds was financed by a term loan granted to Rottneros AB by Danske Bank. The redeemed bonds are redeemable. In connection with the redemption, the bonds will be delisted from Nasdaq Stockholm.

Factors influencing the development of the Arctic Paper Group

Information on market trends

In Q2 2021 the Arctic Paper Group recorded a decreased level of orders compared to Q1 2021 by 7.4% and a growth of orders compared to the equivalent period of 2020 by 30.1%.

Source of data: Arctic Paper analysis

Paper prices

At the end of H1 2021, the prices of uncoated wood-free paper (UWF) in Europe dropped by 0.9% compared to the prices at the end of June 2020 while for coated wood-free paper (CWF) there was a decrease by 2.2%.

At the end of June 2021, the average prices declared by producers for selected types of paper and markets: Germany, France, Spain, Italy, United Kingdom – for both uncoated wood-free paper (UWF) and coated wood-free paper (CWF) were lower than at the end of Q1 2021 by 1.2% and 0.9% respectively.

The prices invoiced by Arctic Paper in EUR for comparable products in the segment of uncoated wood-free paper (UWF) increased from the end of March 2021 until the end of June 2021 by 10.6% on the average while in the segment of coated wood-free paper (CWF) the prices increased by 5.9%. At the end of H1 2021, the prices of uncoated wood-free paper (UWF) invoiced by Arctic Paper increased by 6.3% compared to the prices at the end of June 2020 while for coated wood-free paper (CWF) there was a growth by 1.9%.

Source: For market data – RISI, price changes for selected markets in Germany, France, Spain, Italy and the UK in local currencies for graphic papers similar to the product portfolio of the Arctic Paper Group. The prices are quoted without considering specific rebates for individual customers and they include neither any additions nor price reductions in relation to the publicly available price lists. The estimated prices for each month reflect orders placed in the month while the deliveries may take place in the future. Because of that, RISI price estimates for a particular month do not reflect the actual prices at which deliveries are performed but only express ordering prices. For Arctic Paper products, the average invoiced sales prices for all served markets in EUR.

Pulp prices

At the end of Q2 2021, the pulp prices reached the level of: NBSK – USD 1.300/tonne and BHKP – USD 1,099.1/tonne.

The average NBSK price in Q2 2021 was higher by 51.3% compared to the equivalent period of the previous year while for BHKP the average price was higher by 61.6%. Compared to Q1 2021, the average pulp price in Q2 2021 was higher by 26.2% for NBSK and by 27.1% for BHKP.

Pulp costs are characterised by high volatility. The prices of the raw materials had major impact on the Group's profitability in the period.

The average pulp cost used for production of paper calculated for the Arctic Paper Group in PLN increased in Q2 2021 compared to Q1 2021 by 20.7% while in relation to Q2 2020 it increased by 12.1%.

The share of pulp costs in cost of sales after 6 months of this year was 51%, the same as in H1 2020.

The Arctic Paper Group uses the pulp in the production process according to the following structure: BHKP 72%, NBSK 21% and other 7%.

Source of data: www.foex.fi Arctic Paper analysis

Currency exchange rates

At the end of Q2 2021, the EUR/PLN rate amounted to 4.5208 and was by 1.2% higher than at the end of Q2 2020. The mean EUR/PLN exchange rate in H1 2021 amounted to 4.5396 and was by 2.8% higher than in the equivalent period of 2020.

The EUR/SEK exchange rate amounted to 10.1227 at the end of Q2 2021 (decrease by 3.7% compared to the end of Q2 2020). For that currency pair, the mean exchange rate in H1 2021 was by 5% lower than in the equivalent period of 2020. The somewhat appreciating SEK versus EUR has been adversely impacting the revenues invoiced in EUR in the factories in Sweden (AP Munkedals and AP Grycksbo).

The USD/PLN exchange rate as at the end of Q2 2021 amounted to 3.8035. In H1 2021 the mean USD/PLN exchange rate was 3.7682 compared to 4.0085 in the equivalent period of the previous year which was a drop by 6%. In Q2 2021 the mean USD/PLN exchange rate was 3.7611 and was by 8.1% lower than in Q2 2020. The change has positively affected the costs incurred in USD by AP Kostrzyn, in particular the costs of pulp.

The USD/SEK exchange rate as at the end of Q2 2021 amounted to 8.5166. In H1 2021, the mean exchange rate amounted to 8.4097 compared to 9.6823 in the equivalent period of the previous year which was a decrease of the rate by 13.1%. In Q2 2021 the mean USD/SEK exchange rate increased by 0.2% compared to Q1 2021. The change compared to the corresponding quarter of 2020 favourably affected the costs incurred in USD by AP Munkedals and AP Grycksbo, in particular the costs of pulp.

At the end of June 2021, the EUR/USD exchange rate amounted to 1.1886 compared to 1.1219 (+5.9%) at the end of June 2020. In Q2 2021, EUR slightly weakened against USD compared to Q1 2021 (+0.1%). In H1 2021 the mean exchange rate was 1.2047 while in the equivalent period of the previous year it was 1.1012 which was a depreciation of EUR versus USD by 9.4%.

The appreciation of PLN versus EUR has adversely affected the Group's financial profit, mainly due to decreased sales revenues generated in EUR and translated into PLN. PLN depreciating versus USD had a positive effect on the Group's financial result as it decreased the costs of the core raw materials for the Paper Mill in Kostrzyn. The strengthening SEK versus EUR adversely affected revenues generated in EUR at the APM and APG factories.

Factors influencing the financial results in the perspective of the next quarter

The material factors that have an impact on the financial results over the next months include:

- Changes to demand for high quality paper in Europe during the COVID-19 pandemic and the anticipated related economic slow down.

  Over the recent years there has been a major decrease of demand for fine paper in Europe (level of executed orders). Further negative developments in the market may adversely affect order levels to our Paper Mills. Cancelled international events, restrictions to free movement of people, intensified remote work – may additionally reduce demand for high quality graphic paper and thus adversely affect the financial results of the Group.

- Price changes of fine paper. In particular, the possibility to raise the prices of Arctic Paper products in local currencies in view of the declining supply/demand in Europe and in the context exchange rates fluctuations, will have a material influence on the financial results. Paper prices are going to be of particular importance for the Paper Mill of Grycksbo which – in connection with the market changes – experiences the greatest adverse impact of drop of sales volumes, prices as well as of exchange rate fluctuations.

- Price fluctuations of raw materials, including pulp for Paper Mills and electricity for all operational entities. In particular, financial results of Paper Mills may be negatively influenced by increasing pulp prices, particularly BHKP. On the other hand, dropping NBSK pulp prices may negatively affect the financial results of Pulp Mills. Fluctuations of electricity prices in Sweden may also have a material impact on the results generated by the Group. In future, such market changes may translate into changes of sales profitability in Paper Mills of AP Munkedals and AP Grycksbo as well as in Pulp Mills of Rottneros and Vallvik.

- Changes in currency rates, in particular, the appreciation of PLN and SEK in relation to EUR and GBP, the appreciation of PLN in relation to SEK, and the depreciation of PLN and SEK in relation to USD, may have an adverse effect on the financial results. However, our Pulp Mills may benefit from the appreciation of USD in relation to SEK.

Risk factors

In H1 2021 there were no material changes to the risk factors described in the report for 2020.

Risk factors related to the environment in which the Group operates

The sequence in which the risk factors are presented below does not reflect the likelihood of occurrence, extent or materiality of the risks.

The risk related to intensifying competition in the paper market in Europe

Our Group operates in a very competitive market. The achievement of the strategic objectives assumed by the Group may be made difficult by operations of competitors, particularly integrated paper producers operating on a larger scale than our Group. Any more intensified competition resulting from a potential growth of production capacity of our competitors and thus an increased supply of paper to the market, may adversely affect the achievement of the planned revenues and thus the ability to achieve the underlying financial and operational assumptions.

Risk of changing legal regulations

Our Group operates in a legal environment characterised with a high level of uncertainty. The regulations affecting our business have been frequently amended and often there are no consistent interpretations which generates a risk of violating the existing regulations and the resultant consequences even if such breach was unintentional. Additionally, amendments to regulations relating to environmental protection and other regulations may generate the need to incur material expenditures to ensure compliance, inter alia, more restrictive regulations or stricter implementation of the existing regulations concerning the protection of surface waters, soil waters, soil and atmospheric air.

FX risk

Revenues, expenses and results of the Group are exposed to FX risk, in particular relating to exchange rates of PLN and SEK to EUR, GBP and other currencies. Our Group exports a majority of its produced paper to European markets, generating a material part of its sales revenues in EUR, GBP, PLN and SEK. Sales revenues of pulp in the Pulp Mills are subject to USD FX risk. The purchase costs of materials for paper production, in particular pulp for Paper Mills are paid primarily in USD and EUR. Additionally, we hold loan liabilities mainly in PLN, EUR and SEK. PLN is the currency used in our financial statements and therefore our revenues, expenses and results generated by the subsidiary companies domiciled abroad are subject to FX exchange rate fluctuations. Thus FX rate fluctuations may have a strong adverse effect on the results, financial conditions and prospects of the Group.

Interest rate risk

The Group is exposed to interest rate risk in view of the existing interest-bearing debt. The risk results from fluctuations of such interest rates as WIBOR for debt in PLN, EURIBOR for debt in EUR and STIBOR for debt in SEK. Unfavourable changes of interest rates may adversely affect the results, financial condition and prospects of the Group.

Risk related to increasing importance of alternative media

Trends in advertising, electronic data transmission and storage and in the Internet have adverse impact on traditional printed media and thus on the products of the Group and its customers. Continuation of such changes may adversely affect the results, financial condition and prospects of the Group.

Risk factors relating to the business of the Group

The sequence in which the risk factors are presented below does not reflect the likelihood of occurrence, extent or materiality of the risks.

Risk related to relatively low operational margins

Historically, the operational results of the Group are characterised by relatively high volatility and low profit margins on operations. Reduced revenues resulting e.g. from changes to production capacity, output, pricing policies or increased operating expenses that primarily comprise costs of raw materials (mainly pulp for Paper Mills) and energy, may mean the Group's losses in earning capacity. Material adverse changes to profitability may result in reduced prices of our stock and reduced capacity to generate working capital thus adversely affecting our business and deteriorating our prospects.

Risk of price changes to raw materials, energy and products

We are exposed to the risk of price changes of raw materials and energy, primarily related to price fluctuations of pulp, fuel oil, diesel oil, coal and electricity. Paper Mills buy pulp under frame agreements or in one-off transactions and do not hedge against fluctuations of pulp prices. A part of pulp is supplied to our Paper Mills from the Pulp Mills of the Rottneros Group. The risk of changing prices of raw materials is related primarily to changing prices of paper and pulp in the markets to which we sell our products. A material growth of prices of one or more raw materials and energy may adversely affect the operating results and financial condition of the Group.

Risk of disruption to production processes

Our Group holds three Paper Mills operating jointly seven production lines with total annual production capacity of approx. 700,000 tonnes of paper and two Pulp Mills with a total production capacity of 400,000 tonnes of pulp. Long-lasting disruption to the production process may result from a number of factors, including a breakdown, human error, unavailability of raw materials, natural catastrophes and other that are beyond our control. Each such disruption, even relatively short, may have material impact on our production and profitability and result in material costs for repairs, liabilities to buyers whose orders we are not able to satisfy and other expenses.

Risk related to our investments

Investments by the Group aimed at expanding the production capacity of the Group require material capital outlays and a relatively long time to complete. As a result, the market conditions under which we operate may be materially changed in the period between our decision to incur investment outlays to expand production capacity and the completion time. Changes of market conditions may result in a volatile demand for our products which may be too low in the context of additional production capacities. Differences between demand and investments in new production capacities may result in failure to utilise the expanded production capacity to the full extent. This may have adverse effect on the operating results and financial condition of the Group.

Risk factors relating to the debt of the Group

Our Group mainly has indebtedness under a loan agreement with a syndicate of banks (Santander Bank Polska S.A., BNP Paribas Bank Polska SA and Bank Polska Kasa Opieki SA) of 2 April 2021.

Failure by the Group to comply with its obligations, including the agreed levels of financial ratios (covenants) resulting from the agreements, will result in default under those agreements. Events of default may in particular result in demand for repayment of our debt, banks taking control over important assets like Paper Mills or Pulp Mills and loss of other assets which serve as collateral, deterioration of creditworthiness and lost access to external funding which will be converted into lost liquidity and which in turn may materially adversely affect our business and development prospects and our stock prices.

Risk related to insurance limits

In the context of deteriorating situation in paper industry and the results of the Arctic Paper Group, our suppliers, in particular suppliers of such raw materials as pulp, may have problems with acquiring insurance limits (sale on credit) and thus they may lose the possibility of offering deferred payment terms to the Arctic Paper Group. Such situation may result in deteriorated financial situation and loss of financial liquidity of operating units and as a result this may adversely affect the situation in the entire Group.

Risk of restricted supplies of natural gas

Polskie Górnictwo Naftowe i Gazownictwo S.A (PGNiG) is the sole supplier of natural gas used by AP Kostrzyn to generate heat and electrical energy for paper production. (PGNiG). In this context, the business and costs of paper production at AP Kostrzyn is materially affected by availability and price of natural gas. Potential disruptions of supplies of natural gas to the Paper Mill in Kostrzyn nad Odrą may have adverse effect on production, results on operations and financial condition of the Group.

Risk of loss of tax relieves related to the operation of AP Kostrzyn

AP Kostrzyn has been using a major tax relief resulting from its operations in the Kostrzyńsko-Słubicka Specjalna Strefa Ekonomiczna. The relief was granted until 2026 and is subject to compliance by AP Kostrzyn of the applicable laws, regulations and other conditions relating to the relief, including compliance with certain criteria concerning employment and investment outlays. Tax regulations and interpretations thereof are subject to very frequent changes in Poland. Changes to the regulations applicable to the tax relief or breach by AP Kostrzyn of the applicable conditions may result in loss of the relief and have material adverse impact on the results of operations and financial condition of the Group.

Risk related to consolidation and liquidity of key customers

Consolidation trends among our existing and potential customers may result in a more concentrated customer base covering a few large buyers. Such buyers may rely on their improved bargaining position in negotiating terms of paper purchases or decide to change the supplier and acquire products from our competitors. Additionally, in the context of the deteriorating condition in printing industry, such customers as paper distributors, printing houses or publishers may not be able to obtain insurance limits (sale on credit) or have problems with financial liquidity which may result in their bankruptcy and adversely affect our financial results. The above factors may have adverse impact on the operational results and financial condition of the Group.

Risk related to compliance with regulations on environmental protection and adverse impact of the production process on the environment

The Group meets the requirements related to environmental protection; however, no certainty exists that it will always be able to comply with its obligations and that in the future it will avoid material expenses or that it will not incur material obligations related to the requirements or that it will be able to obtain all permits, approvals and other consents to carry on its business as planned. Similarly, considering that paper and pulp production is related to potential hazards relating to waste generated in Paper Mills and Pulp Mills and contamination with chemicals, no certainty exists that in the future the Group is not charged with liability for environmental pollution or that no event that may underlie the liability of the Group has not already occurred. Thus the Group may be required to incur major expenses in connection with the need to remove contamination and land reclamation.

Risk related to CO2 emissions

Our Paper Mills and Pulp Mills are provided with free carbon dioxide emission rights for each period. The emission rights are awarded within the EU Emission Trading Scheme. Should such free carbon dioxide emission rights be cancelled and replaced with a system of paid emission rights, our costs of energy generation will grow accordingly. Additionally, we may be forced to incur other unpredictable expenses in connection with the emission rights or changing legal regulations and the resultant requirements. Due to the above we may be forced to reduce the quantity of generated energy or to increase the production costs which may adversely affect our business, financial condition, operational results or development prospects.

Risk related to dividend distribution

The Issuer is a holding company and therefore its capacity to pay dividend is subject to the level of potential disbursements from its subsidiary companies involved in operational activity, and the level of cash balances. Certain subsidiaries of the Group involved in operational activity may be subject to certain restrictions concerning disbursements to the Issuer. No certainty exists that such restrictions will have no material impact on the business, results on operations and capacity of the Group to distribute dividend.

In connection with the term and revolving facilities agreements signed on 2 April 2021, the Company's ability to pay dividends is subject to the Group meeting certain financial ratios in the period prior to payment (as that term is defined in the term and revolving facilities agreement) and there being no event of default (as that term is defined in the term and revolving facilities agreement).

Supplementary information

Management Board position on the possibility to achieve the projected financial results published earlier

The Management Board of Arctic Paper S.A. has not published the projected financial results for 2021.

Changes to the supervisory and management bodies of Arctic Paper S.A.

As at 30 June 2021, the Company's Supervisory Board was composed of:

- Per Lundeen – Chairman of the Supervisory Board appointed on 14 September 2016,
- Roger Mattsson – Deputy Chairman of the Supervisory Board appointed on 16 September 2014,
- Thomas Onstad – Member of the Supervisory Board appointed on 22 October 2008,
- Zofia Dzik – Member of the Supervisory Board appointed on 22 June 2021,
- Anna Jakubowski – Member of the Supervisory Board appointed on 22 June 2021.

On 20 May 2021, Ms Dorota Raben filed her resignation as Member of the Supervisory Board of the Company with effect from 22 June 2021.

On 26 May 2021, Mr Mariusz Grendowicz filed his resignation as Member of the Supervisory Board of the Company with effect from 22 June 2021.

On 22 June 2021, the Annual General Meeting of the Company, passed a resolution on the appointment of Ms Zofia Dzik and Ms Anna Jakubowski to the Supervisory Board.

Until the date hereof, there were no changes to the composition of the Supervisory Board of the Parent Entity.

The Management Board of the Parent Entity as at the publication hereof was composed as follows:

- Michał Jarczyński – President of the Management Board,
- Göran Eklund – Member of the Management Board.

Until the date hereof, there were no changes in the composition of the Management Board of the Parent Entity.

Changes in holdings of the Issuer's shares or rights to shares by persons managing and supervising Arctic Paper S.A.

Managing and supervising persons	Number of shares or rights to shares as at 17.08.2021	Number of shares or rights to shares as at 30.06.2021	Number of shares or rights to shares as at 11.05.2021	Change
Management Board				
Michał Jarczyński	-	-	-	-
Göran Eklund	-	-	-	-
Supervisory Board	-	-	-	-
Per Lundeen	34 760	34 760	34 760	-
Thomas Onstad*	6 223 658	6 223 658	6 223 658	-
Roger Mattsson	-	-	-	-
Zofia Dzik	-	-	NA	-
Anna Jakubowski	-	-	NA	
Dorota Raben	NA	NA	-	-
Mariusz Grendowicz	NA	NA	-	-

*the amounts do not include indirect shareholding

Information on sureties and guarantees

As at 30 June 2021, the Capital Group reported:

- pledge on properties of Arctic Paper Grycksbo AB resulting from an FPG agreement in favour of the mutual life insurance company PRI for SEK 50,000 thousand;
- contingent liability under a guarantee for FPG in favour of the mutual life insurance company PRI for SEK 937 thousand at Arctic Paper Grycksbo AB and for SEK 764 thousand at Arctic Paper Munkedals AB;
- pledge on properties of Arctic Paper Munkedals AB resulting from an FPG contract in favour of the mutual life insurance company PRI for SEK 50,000 thousand;
- a bank guarantee in favour of Skatteverket Ludvika for SEK 135 thousand;
- a contingent liability of Arctic Paper Munkedals AB related to a surety for the obligations of Kalltorp Kraft HB in the amount of SEK 578 thousand;
- pledge on properties held by Arctic Paper Munkedals Kraft AB as required by loan agreements with Nordea Bank for SEK 79,000 thousand (related to the investment in the hydro power plant),
- pledges on shares in subsidiaries in the Rottneros Group for SEK 284,730 thousand; under loan agreements concluded with Danske Bank;
- margin on hedging transactions in the bank account of Rottneros with SEB for SEK 53,600 thousand.

In connection with the term and revolving facilities agreements signed on 2 April 2021, on 11 May 2021 the Company signed agreements and declarations pursuant to which collateral for the above receivables and other claims was established in favour of Bank Santander Bank Polska S.A. acting as Security Agent, i.e.

1. under Polish law – Collateral Documents establishing the following Collateral:
   - financial and registered pledges on all shares and interests registered in Poland, owned by the Company and the Guarantors, in companies in the Company Group (with the exception of Rottneros AB, Arctic Paper Mochenwangen GmbH and Arctic Paper Investment GmbH), except the shares in the Company;
   - mortgages on all properties located in Poland and belonging to the Guarantors;
   - registered pledges on all material rights and movable assets owned by the Guarantors, constituting an organised part of enterprise, located in Poland (with the exception of the assets listed in the Loan Agreement);
   - assignment of (existing and future) insurance policies covering the assets of the Company and the Guarantors (with the exception of insurance policies listed in the Loan Agreement);
   - declaration by the Company and the Guarantors on voluntary submission to enforcement, in the form of a notary deed;
   - financial pledges and registered pledges on the bank accounts of the Company and the Guarantors, registered in Poland;
   - powers of attorney to Polish bank accounts of the Company and the Guarantors, registered in Poland.

2. under Swedish law – Collateral Documents establishing the following Collateral:
   - pledges on all shares and interests registered in Poland, owned by the Company and the Guarantors, in Group companies, with the exception of the shares in the Company;
   - mortgages on all properties located in Sweden and owned by the Company and the Guarantors as long as such collateral covers solely the existing mortgage deeds;
   - corporate mortgage loans granted by the Guarantors registered in Sweden as long as such collateral covers solely the existing mortgage deeds;
   - assignment of (existing and future) insurance policies covering the assets of the Company and the Guarantors (with the exception of insurance policies listed in the Loan Agreement);
   - pledges on Swedish bank accounts of the Company and the Guarantors as long as such collateral is without prejudice to free management of funds deposited on bank accounts until an event of default specified in the Loan Agreement.

Material off-balance sheet items

The information regarding off-balance sheet items is disclosed in the interim abbreviated consolidated financial statements.

Information on court and arbitration proceedings and proceedings pending before public administrative authorities

During the period under report, Arctic Paper S.A. and its subsidiaries were not a party to any proceedings pending before a court, arbitration or public administrative authority, the individual or joint value of which would equal or exceed 10% of the Company's equity.

Information on transactions with related parties executed on non-market terms and conditions

During the period under report, Arctic Paper S.A. and its subsidiaries did not execute any material transactions with related entities on non-market terms and conditions.

Information on remuneration of the entity authorised to audit the financial statements

On 16 July 2020 Arctic Paper S.A. entered into a contract with KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. for a review of the Company's interim standalone financial statements and interim consolidated financial statements of the Group for the period from 1 January 2021 until 30 June 2021. The contract was concluded for the time required to perform the above services.

Statements of the Management Board

Accuracy and reliability of the presented reports

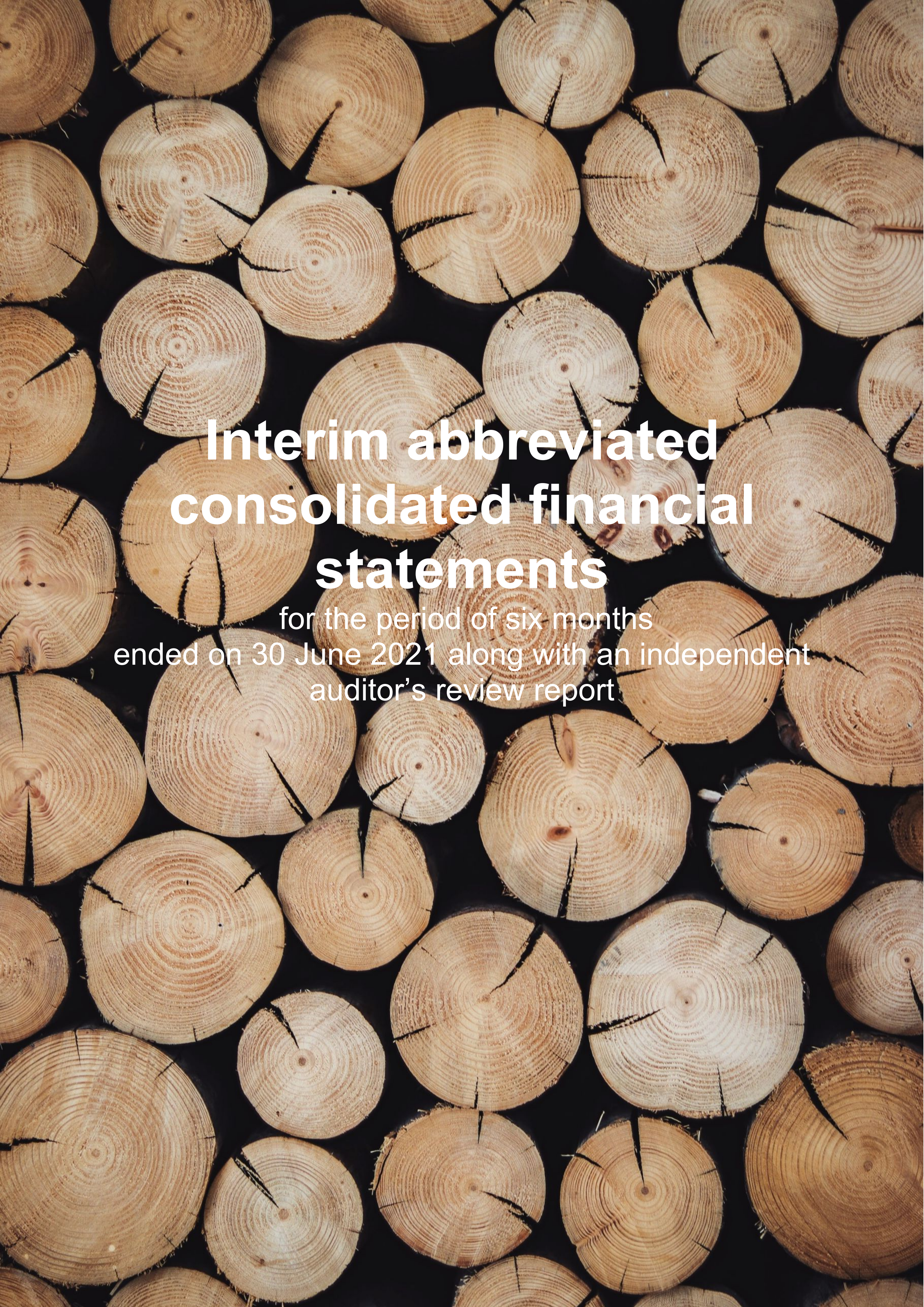
Members of the Management Board of Arctic Paper S.A. represent that to the best of their knowledge:

— The interim abbreviated consolidated financial statements for the period of 6 months ended on 30 June 2021 of the Arctic Paper S.A. Capital Group and the comparable data and the interim abbreviated standalone financial statements for the period of 6 months ended on 30 June 2021 of the Arctic Paper S.A. Capital Group and the comparable data have been prepared in compliance with the applicable accounting standards and that they reflect in a true, reliable and clear manner the economic and financial condition of the Capital Group and its financial results for the period of the first six months of 2021.

— The Management Board's Report from operations of the Arctic Paper S.A. Capital Group to the report for H1 2021 contains a true image of the development, achievements and condition of the Arctic Paper S.A. Capital Group, including a description of core hazards and risks.

Signatures of the Members of the Management Board

Position	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Michał Jarczyński	17 August 2021	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Göran Eklund	17 August 2021	signed with a qualified electronic signature



Interim abbreviated consolidated financial statements

for the period of six months
ended on 30 June 2021 along with an independent
auditor's review report

Interim abbreviated consolidated financial statements

Interim abbreviated consolidated statement of profit and loss

	Note	3-month-period ended on 30 June 2021 (unaudited)	6-month-period ended on 30 June 2021 (unaudited)	3-month-period ended on 30 June 2020 (unaudited)	6-month-period ended on 30 June 2020 (unaudited)
Continuing operations					
Revenues from sales of products	9.1	786 561	1 569 373	616 000	1 429 948
Sales revenues		786 561	1 569 373	616 000	1 429 948
Costs of sales	9.2	(615 807)	(1 246 279)	(509 395)	(1 135 413)
Profit (loss) on sales		170 754	323 094	106 605	294 535
Selling and distribution costs	9.2	(90 516)	(182 233)	(73 950)	(166 568)
Administrative expenses	9.2	(28 773)	(48 668)	(19 638)	(38 807)
Other operating income	9.2	13 041	25 566	20 893	34 204
Other operating expenses	9.2	(9 982)	(20 052)	(9 679)	(19 468)
Operating profit (loss)		54 525	97 708	24 231	103 896
Financial income	9.2	(847)	1 737	(744)	713
Financial expenses	9.2	(7 476)	(14 347)	(8 470)	(16 175)
Gross profit (loss)		46 201	85 098	15 017	88 434
Income tax	9.2	(10 601)	(17 229)	(4 244)	(15 372)
Net profit (loss)		35 600	67 869	10 773	73 062
Attributable to:					
The shareholders of the Parent Entity		18 372	47 466	10 441	65 404
Non-controlling shareholders		17 228	20 403	332	7 658
		35 600	67 869	10 773	73 062
Earnings per share:					
attributable to the shareholders of the	12	0,27	0,69	0,15	0,94
attributable to the shareholders of the	12	0,27	0,69	0,15	0,94

Interim abbreviated consolidated statement of total comprehensive income

	3-month-period ended on 30 June 2021 (unaudited)	6-month-period ended on 30 June 2021 (unaudited)	3-month-period ended on 30 June 2020 (unaudited)	6-month-period ended on 30 June 2020 (unaudited)
Profit for the reporting period	35 600	67 869	10 773	73 062
Other comprehensive income				
Items to be reclassified to profit/loss in future reporting periods:				
FX differences on translation of foreign operations	(13 824)	(19 136)	19 882	26 260
Measurement of financial instruments	25 198	9 790	46 612	(53 801)
Deferred income tax on the measurement of financial instruments	(4 612)	(1 063)	(9 795)	11 324
Items which were reclassified to profit/loss in current reporting period:				
Measurement of financial instruments	(202)	(2 736)	(5 845)	(8 055)
Deferred income tax on the measurement of financial instruments	(287)	297	1 186	1 695
Items not to be reclassified to profit/loss in future reporting periods:				
Actuarial profit (loss) for defined benefit plans	3 004	3 004	-	-
Deferred income tax on actuarial profit/loss	(619)	(619)	-	-
Other comprehensive income (net)	8 659	(10 463)	52 040	(22 577)
Total comprehensive income for the period	44 259	57 407	62 813	50 484
Total comprehensive income attributable to:				
The shareholders of the Parent Entity	53 457	46 526	45 699	45 925
Non-controlling shareholders	(9 198)	10 881	17 114	4 560

Interim abbreviated consolidated statement of financial position – assets

	Note	As at 30 June 2021 (unaudited)	As at 31 December 2020 (transformed)*
ASSETS			
Fixed assets			
Tangible fixed assets	14	1 086 308	1 085 121
Investment properties		3 086	3 086
Intangible assets	14	39 699	43 251
Goodwill	13, 14	9 379	9 656
Interests in joint ventures		1 630	1 678
Other financial assets		27 082	26 279
Other non-financial assets		300	315
Deferred income tax asset		20 969	25 117
		1 188 452	1 194 503
Current assets			
Inventories	15	385 130	365 491
Trade and other receivables	16	385 229	297 543
Corporate income tax receivables		7 627	5 209
Other non-financial assets		10 047	6 149
Other financial assets		22 891	12 188
Cash and cash equivalents	10	244 764	255 563
		1 055 688	942 142
TOTAL ASSETS		2 244 140	2 136 646

* information on the transformed data is provided in note 6.3

Interim abbreviated consolidated statement of financial position – equity and liabilities

	Note	As at 30 June 2021 (unaudited)	As at 31 December 2020 (transformed)*
EQUITY AND LIABILITIES			
Equity			
Equity (attributable to the shareholders of the Parent Entity)			
Share capital	19	69 288	69 288
Reserve capital		407 976	407 976
Other reserves		150 570	160 376
FX differences on translation		4 907	15 827
Retained earnings / Accumulated losses		142 975	96 510
		775 717	749 977
Non-controlling interests		293 937	283 056
Total equity		1 069 654	1 033 033
Long-term liabilities			
Interest-bearing loans, bonds and borrowings	17	326 633	211 094
Provisions		1 340	1 379
Employee liabilities		122 051	135 994
Other financial liabilities		28 388	30 050
Deferred income tax liability		71 570	71 448
Accruals and deferred income		13 015	14 631
		562 997	464 596
Short-term liabilities			
Interest-bearing loans, bonds and borrowings	17	33 315	136 278
Provisions		81	116
Other financial liabilities		9 070	12 148
Trade and other payables	18	461 456	367 751
Employee liabilities		95 618	106 069
Income tax liability		5 033	11 037
Accruals and deferred income		6 916	5 618
		611 490	639 016
TOTAL LIABILITIES		1 174 487	1 103 612
TOTAL EQUITY AND LIABILITIES		2 244 140	2 136 646

* information on the transformed data is provided in note 6.3

Interim abbreviated consolidated statement of cash flow

	Note	6-month period ended on 30 June 2019 (unaudited)	6-month period ended on 30 June 2018 (transformed)*
Cash flows from operating activities			
Gross profit (loss)		85 098	88 434
Adjustments for:			
Depreciation/amortisation		58 699	55 955
FX gains (loss)		3 995	3 531
Interest, net		9 284	10 780
Profit (loss) on investing activities		380	(642)
Increase (decrease) in receivables and other non-financial assets		(109 950)	(5 067)
Increase (decrease) in inventories		(27 957)	(2 207)
Increase (decrease) in liabilities except loans, borrowings, bonds and other financial liabilities		67 590	(78 098)
Change in provisions		(32)	-
Income tax paid		(21 025)	(4 919)
Change in employee liabilities		(11 431)	5 720
Change in grants and deferred income		(60)	(1 686)
Co-generation certificates and emission rights		808	(1 731)
Other		(712)	35
Net cash flows from operating activities		54 688	70 106
Cash flows from investing activities			
Disposal of tangible fixed assets and intangible assets		11	1 292
Purchase of tangible fixed assets and intangible assets		(63 805)	(72 336)
Acquisition of a subsidiary, net of cash acquired	13	-	(6 089)
Other capital outflows / inflows		896	-
Net cash flows from investing activities		(62 898)	(77 133)
Cash flows from financing activities			
Change to overdraft facilities		-	(15)
Repayment of leasing liabilities		(6 928)	(5 327)
Inflows/repayment of other financial liabilities		448	(2)
Inflows under contracted loans and bonds		145 621	12 283
Repayment of loans, borrowings and debt securities		(127 361)	(42 960)
Interest paid		(8 735)	(10 579)
Net cash flows from financing activities		3 045	(46 600)
Increase / (decrease) in cash and cash equivalents		(5 165)	(53 627)
Net FX differences		(5 635)	8 011
Cash and cash equivalents at the beginning of the period		255 563	265 885
Cash and cash equivalents at the end of the period	10	244 764	220 268

* information on the transformed data is provided in note 6.3

Interim abbreviated consolidated statement of changes in equity

	Attributable to the shareholders of the Parent Entity							
	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings / (Accumulated losses)	Total	Equity attributable to non-controlling shareholders	Total equity
As at 1 January 2021	69 288	407 976	15 827	160 376	96 510	749 977	283 056	1 033 033
Net profit (loss) for the period	-	-	-	-	47 466	47 466	20 403	67 869
Other comprehensive income (net) for the period	-	-	(10 919)	7 593	2 386	(940)	(9 522)	(10 463)
Total comprehensive income for the period	-	-	(10 919)	7 593	49 852	46 526	10 881	57 407
Profit distribution/ Dividend disbursed to shareholders of AP SA	-		-	(17 399)	(3 387)	(20 786)	-	(20 786)
As at 30 June 2021 (unaudited)	69 288	407 976	4 908	150 570	142 975	775 717	293 937	1 069 654

	Attributable to the shareholders of the Parent Entity							
	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings / (Accumulated losses)	Total	Equity attributable to non-controlling shareholders	Total equity
As at 1 January 2020	69 288	407 976	(28 863)	139 035	19 473	606 909	263 619	870 528
Net profit (loss) for the period	-	-	-	-	65 404	65 404	7 658	73 062
Other comprehensive income (net) for the period	-	-	14 460	(33 939)	-	(19 479)	(3 099)	(22 577)
Total comprehensive income for the period	-	-	14 460	(33 939)	65 404	45 925	4 560	50 484
As at 30 June 2020 (unaudited)	69 288	407 976	(14 403)	105 096	84 877	652 834	268 179	921 012

Additional explanatory notes

1. General information

The Arctic Paper Group is a leading European producer in terms of production volume of bulky book paper, offering a broad range of products in the segment and one of the leading producers of high-quality graphic paper in Europe. The Group produces numerous types of uncoated and coated wood-free paper as well as wood-containing uncoated paper for printing houses, paper distributors, book and magazine publishing houses and the advertising industry.

Our consolidated sales revenues for 6 months of 2021 amounted to PLN 1,569 million.

Arctic Paper S.A. is a holding company set up in April 2008. As a result of capital restructuring carried out in 2008, the Paper Mills Arctic Paper Kostrzyn (Poland) and Arctic Paper Munkedals (Sweden), Distribution Companies and Sales Offices have become the properties of Arctic Paper S.A. Previously they were owned by Trebruk AB (formerly Arctic Paper AB), the parent company of Arctic Paper S.A. In addition, under the expansion, the Group acquired the Paper Mill Arctic Paper Mochenwangen (Germany) in November 2008 and the Paper Mill Grycksbo (Sweden) in March 2010. In 2012, the Group acquired shares in Rottneros AB, a company listed on the NASDAQ Stockholm with interests in two Pulp Mills (Sweden). In 2020, the Group acquired control of Nykvist Skogs AB, a company of private forest owners in Sweden.

The Parent Entity is entered in the register of entrepreneurs of the National Court Register maintained by the District Court in Zielona Góra – Nowe Miasto i Wilda, 8th Commercial Division of the National Court Register, under KRS number 0000306944. The Parent Entity holds statistical number REGON 080262255. The Company has a foreign branch in Göteborg, Sweden.

The interim abbreviated consolidated financial statements of the Group with respect to the interim abbreviated consolidated statement of profit and loss, statement of comprehensive income, statement of cash flow and statement of changes to equity, cover the period of 6 months ended on 30 June 2021 and contain comparable data for the period of 6 months ended on 30 June 2020; and in the consolidated statement of financial condition, it presents data as at 30 June 2021 and as at 31 December 2020.

The interim abbreviated consolidated statement of comprehensive income, the interim abbreviated statement of profit and loss and notes to the interim abbreviated consolidate statement of comprehensive income and the interim abbreviated consolidated statement of profit and loss contain data for the period of 3 months ended on 30 June 2021 and comparable data for the period of 3 months ended on 30 June 2020.

1.1. Group profile

The principal business of the Arctic Paper Group is the production of paper and pulp.

The Group's additional business, subordinate to paper and pulp production, covers:

- Generation of electricity,
- Transmission of electricity,
- Electricity distribution,
- Heat production,
- Heat distribution,
- Logistics services,
- Paper distribution.

1.2. Shareholding structure

Nemus Holding AB, a company under Swedish law (a company owned indirectly by Mr Thomas Onstad), is the majority shareholder of Arctic Paper S.A., holding (as at 30 June 2021) 40,381,449 shares of our Company, which constitutes 58.28% of its share capital and corresponds to 58.28% of the total number of votes at General Meetings. Thus Nemus Holding AB is the Parent Entity of the Issuer.
Additionally, Mr Thomas Onstad, an indirect shareholder of Nemus Holding AB, holds directly 6,223,658 shares representing 8.98% of the total number of shares in the Company, and via another entity – 600,000 shares accounting for 0.87% of the total number of shares of the Issuer. Mr Thomas Onstad's total direct and indirect holding in the capital of Arctic Paper S.A. as at 30 June 2021 and 31 December 2020 was 68.13% and has not changed until the date hereof.
The ultimate parent of the entire Arctic Paper Group is Incarta Development S.A., controlled by Mr Thomas Onstad
The duration of the Company is indefinite.

2. Composition of the Group

The Group is composed of Arctic Paper S.A. and the following subsidiaries:

Unit	Registered office	Business objects	Group's interest in the equity of the subsidiary entities as at			
			17 August 2021	30 June 2021	11 May 2021	31 December 2020
Arctic Paper Kostrzyn S.A.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Paper production	100%	100%	100%	100%
Arctic Paper Munkedals AB	Sweden, SE 455 81 Munkedal	Paper production	100%	100%	100%	100%
Arctic Paper Mochenwangen GmbH	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Paper production (now discontinued operations)	99,74%	99,74%	99,74%	99,74%
Arctic Paper Grycksbo AB	Sweden, Box 1, SE 790 20 Grycksbo	Paper production	100%	100%	100%	100%
Arctic Paper UK Limited	United Kingdom, 8 St Thomas Street SE1 9RR London	Trading company	100%	100%	100%	100%
Arctic Paper Baltic States SIA	Latvia, K. Vardemara iela 33-20, Riga LV-1010	Trading company	100%	100%	100%	100%
Arctic Paper Deutschland GmbH	Germany, Am Sandtorkai 72, D-20457 Hamburg	Trading company	100%	100%	100%	100%
Arctic Paper Benelux S.A.	Belgium, Ophemstraat 24, B-3050 Oud-Heverlee	Trading company	100%	100%	100%	100%
Arctic Paper Schweiz AG	Switzerland, Gutenbergstrasse 1, CH-4552 Derendingen	Trading company	100%	100%	100%	100%
Arctic Paper Italia srl	Italy, Via Cavriana 7, 20 134 Milan	Trading company	100%	100%	100%	100%
Arctic Paper Danmark A/S	Denmark, Korskildelund 6 DK-2670 Greve	Trading company	100%	100%	100%	100%
Arctic Paper France SAS	France, 43 rue de la Breche aux Loups, 75012 Paris	Trading company	100%	100%	100%	100%
Arctic Paper Espana SL	Spain, Avenida Diagonal 472-474, 9-1 Barcelona	Trading company	100%	100%	100%	100%
Arctic Paper Papierhandels GmbH	Austria, Hainborgerstrasse 34A, A-1030 Wien	Trading company	100%	100%	100%	100%
Arctic Paper Polska Sp. z o.o.	Poland, Okrężna 9, 02-916 Warszawa	Trading company	100%	100%	100%	100%
Arctic Paper Norge AS	Norway, Eikenga 11-15, NO-0579 Oslo	Trading company	100%	100%	100%	100%
Arctic Paper Sverige AB	Sweden, SE 455 81 Munkedal	Trading company	100%	100%	100%	100%
Arctic Paper East Sp. z o.o.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Trading company	100%	100%	100%	100%
Arctic Paper Investment GmbH *	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	100%	100%	100%	100%
Arctic Paper Finance AB	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	100%	100%	100%
Arctic Paper Verwaltungs GmbH *	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	100%	100%	100%	100%

Unit	Registered office	Business objects	Group's interest in the equity of the subsidiary entities as at			
			17 August 2021	30 June 2021	11 May 2021	31 December 2020
Arctic Paper Immobilienverwaltung GmbH&Co. KG*	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	94,90%	94,90%	94,90%	94,90%
Arctic Paper Investment AB **	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	100%	100%	100%
EC Kostrzyn Sp. z o.o.	Poland, ul. Fabryczna 1, 66-470 Kostrzyn nad Odrą	Rental of properties and machines and equipment	100%	100%	100%	100%
Munkedals Kraft AB	Sweden, 455 81 Munkedal	Production of hydropower	100%	100%	100%	100%
Rottneros AB	Sweden, Söderhamn	Activities of holding companies	51,27%	51,27%	51,27%	51,27%
Rottneros Bruk AB	Sweden, Rottneros	Pulp production	51,27%	51,27%	51,27%	51,27%
Utansjo Bruk AB	Sweden, Söderhamn	Non-active company	51,27%	51,27%	51,27%	51,27%
Vallviks Bruk AB	Sweden, Vallvik	Pulp production	51,27%	51,27%	51,27%	51,27%
Nykvist Skogs AB	Sweden, Sunne	Comapny grouping private owners of forests	51,27%	51,27%	51,27%	51,27%
Rottneros Packaging AB	Sweden, Sunne	Production of food packaging	51,27%	51,27%	51,27%	51,27%
SIA Rottneros Baltic	Sweden, Sunne	Procurement bureau	51,27%	51,27%	51,27%	51,27%

* – companies established for the purpose of the acquisition of Arctic Paper Mochenwangen GmbH
** – the company established for the purpose of the acquisition of Grycksbo Paper Holding AB

On 1 January 2020 the Group – via Rottneros AB – acquired control over Nykvist Skogs AB, a company grouping private owners of forests in Sweden. The transaction provided a broader access to raw materials over a long-term horizon.
As at 30 June 2021, and as well as on the day hereof, the percentage of voting rights held by the Group in its subsidiaries corresponded to the percentage held in the share capital of those entities. All subsidiaries within the Group are consolidated under the full method from the day of obtaining control by the Group and cease to be consolidated from the day the control has been transferred out of the Group.
On 1 October 2012, Arctic Paper Munkedals AB purchased 50% shares in Kalltorp Kraft Handelsbolaget with its registered office in Trolhattan, Sweden. Kalltorp Kraft is involved in the production of energy in its hydro power plant. The purpose of the purchase was to implement the strategy of increasing its own energy potential. The investment in Kalltorp Kraft was recognised as a joint venture and it is consolidated with the equity method.

3. Management and supervisory bodies

3.1. Management Board of the Parent Entity

As at 30 June 2021, the Parent Entity's Management Board was composed of:

— Michał Jarczyński – President of the Management Board appointed on 1 February 2019;
— Göran Eklund – Member of the Management Board appointed on 30 August 2017.

Until the date hereof, there were no changes to the composition of the Management Board of the Parent Entity.

3.2. Supervisory Board of the Parent Entity

As at 30 June 2021, the Parent Entity's Supervisory Board was composed of:

— Per Lundeen – Chairman of the Supervisory Board appointed on 22 September 2016 (appointed to the Supervisory Board on 14 September 2016);
— Roger Mattsson – Deputy Chairman of the Supervisory Board appointed on 22 September 2016 (appointed to the Supervisory Board on 14 September 2016);
— Thomas Onstad – Member of the Supervisory Board appointed on 22 October 2008;
— Zofia Dzik – Member of the Supervisory Board appointed on 22 June 2021;
— Anna Jakubowski – Member of the Supervisory Board appointed on 22 June 2021.

On 20 May 2021, Ms Dorota Raben filed her resignation as Member of the Supervisory Board of the Company with effect from 22 June 2021.

On 26 May 2021, Mr Mariusz Grendowicz filed his resignation as Member of the Supervisory Board of the Company with effect from 22 June 2021.

On 22 June 2021, the Annual General Meeting of the Company, passed a resolution on the appointment of Ms Zofia Dzik and Ms Anna Jakubowski to the Supervisory Board.

Until the date hereof, there were no changes to the composition of the Supervisory Board of the Parent Entity.

4. Approval of the financial statements

These interim abbreviated consolidated financial statements were approved for publication by the Management Board on 17 August 2021.

5. Basis of preparation of the interim abbreviated consolidated financial statements

These interim abbreviated consolidated financial statements have been prepared in compliance with International Accounting Standard No. 34.

These interim abbreviated consolidated financial statements have been presented in Polish zloty ("PLN") and all values are rounded to the nearest thousand (PLN '000) except as stated otherwise.

These interim abbreviated consolidated financial statements have been prepared based on the assumption that the Group will continue as a going concern in the foreseeable future.

The interim abbreviated consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended on 31 December 2020.

5.1. Covid-19

In Q2 2021 the Arctic Paper Group did not suffer as a result of the COVID19 virus pandemic.

Our priority was to ensure that our employees stay healthy and that they can work in safe conditions. We implemented organisational measures to mitigate the risk of infection and spread of the coronavirus among the employees of our factories and Pulp Mills. As a result of restrictions in contacts with our customers, communication was transferred to the electronic sphere.
Now it is hard to predict the impact of the pandemic and the related economic and social impact on the results and functioning of the Arctic Paper Group in the following quarters of 2021, particularly in the context of the identification of new mutations of the virus.
With reference to the above and the standpoint detailed in item 6.2 of the consolidated financial statements for 2020, in the opinion of the Group management the assumption that the Group will hold sufficient resources to continue its business operations for minimum 12 months of the balance sheet date is justified.

In the opinion of the Group's management, the above circumstances as well as the uninterrupted operation of the production units throughout 2020 and the first 6 months of 2021 justify the assumption that the Group is well prepared for pandemic risk also in the following months and will have sufficient resources to continue its business activities for at least 12 months after the balance sheet date. The Management of the Group concluded that the impact of the possible scenarios considered in making this judgement does not create material uncertainty about events or circumstances that would cast serious doubt on the Group's ability to continue as a going concern for at least 12 months after the balance sheet date.

6. Significant accounting principles (policies)

The accounting principles (policies) applied to prepare the interim abbreviated consolidated financial statements are compliant with those applied to the annual consolidated financial statements of the Group for the year ended on 31 December 2020, with the following exceptions:

— Amendments to IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021) – Amendments extend the period of temporary exemption from the application of *IFRS 9* Financial Instruments by two years to annual periods beginning on 1 January 2023 in order to align with the first application of *IFRS 17* Insurance Contracts, which replaces *IFRS 4* Insurance Contracts.

— Amendments to IFRS 16 Leases Covid-19 Rent Relief (effective for annual periods beginning on or after 1 July 2020, early application possible) – The amendments allow lessees not to assess whether Covid-19 rent relief is a modification of leases. Therefore, under the appropriate conditions, lessees who apply a practical solution will recognize the rent reliefs received until 31 June 2021 in profit or loss for the period in which the relief was granted. In the absence of a practical solution, the relief would be recognised in profit and loss over the term of the lease contract.

— Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments and IFRS 7 Financial Instruments: Disclosure of IFRS 4 Insurance Contracts and IFRS 16 Leases: Reform of the interest rate benchmark – Stage 2 (effective for annual periods beginning on or after 1 January 2021) -The purpose of the amendments is to make it easier for entities to provide users of financial statements and to assist entities that prepare IFRS-compliant financial statements with useful information when the contractual cash flows or hedging relationships change due to a change in the reference rate ratio. The amendments provide for a practical solution for certain changes in contractual cash flows and an exemption for certain hedge accounting requirements.

The aforesaid amendments did not have any major impact on the Group's financial statements.

6.1. New standards and interpretations that have been published and are not yet effective

The following standards and interpretations were issued by the International Accounting Standards Board but are not yet effective:

— Sale or Transfer of Assets Between an Investor and an Associate or Joint Venture (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Associates – the European Commission decided to postpone the endorsement of these amendments indefinitely) – The amendments clarify that in the case of a transaction with an associate or a joint venture, the extent to which the associated gain or loss should be recognised depends on whether the assets transferred or sold were a business:

- the entire profit or loss is recognised if the transferred assets meet the definition of a venture (irrespective of the fact if the venture is a subsidiary entity or not);
- the profit or loss is recognised in part when the transaction covers assets that do not constitute a venture even if such assets were held in a subsidiary entity.

— IFRS *17* Insurance Contracts (effective for annual periods beginning on or after 1 January 2023, prospective application, early application permitted – the standard has not yet been endorsed by the EU) – IFRS 17, which replaces the transitional standard IFRS 4 Insurance Contracts which was introduced in 2004. IFRS 4 provided companies with a possibility to continue disclosing insurance contracts pursuant to the accounting principles applicable in national standards, which, as a result, meant application of different solutions. IFRS 17 solves the issue of comparability created by IFRS 4 through a requirement of coherent disclosure of all insurance contracts, which will be beneficial for both investors and insurers. Liabilities arising from contracts will be recognised at present values, instead of historic cost.

— Amendments to IFRS 3 Business Combinations, IAS 16 Tangible Fixed Assets, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Amendments to International Financial Reporting Standards 2018-2020 (effective for annual periods beginning on or after 1 January 2022, early application permitted – Amendments not yet endorsed by the EU) – The amendment package contains three amendments of narrow scope to the standards:
  - updates the reference in IFRS 3 Business Combinations to the Framework for the Preparation and Presentation of Financial Statements without changing the accounting requirements for the recognition of business combinations,
  - prohibits an entity from reducing the cost of an item of tangible fixed assets by the amount received from the sale of assets produced while the entity is preparing the item of tangible fixed assets for its intended use. Such income and related expenses will be recognised in profit or loss for the period,
  - explains what costs an entity uses in assessing whether a particular contract will result in a loss.

  The package also includes Amendments to International Financial Reporting Standards 2018-2020 which clarify the vocabulary used and correct minor inconsistencies, omissions or contradictions between the standards' requirements in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and examples in IFRS 16 Leases;

— Amendments to IAS 1 Presentation of Financial Statements Presentation of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023, earlier application permitted – Amendments not yet endorsed by the EU) – The amendments clarify that the presentation of liabilities as current or non-current should be based only on the entity's right at the reporting date to defer settlement of the liability. Such right to defer the payment of a liability for minimum 12 months from the reporting date does not have to be unconditional but it has to be material. The above presentation is not affected by intentions or expectations of the Entity's management as to the exercising of the right or the date when this is to happen. The amendments further provide clarification as to the events that are treated as discharge of liabilities.

— Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2023, earlier application permitted – Amendments not yet endorsed by the EU) – Amendments to IAS 1 require entities to disclose significant accounting policies instead of significant accounting policies;

— Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2023, earlier application permitted – Amendments not yet endorsed by the EU) – The amendments introduce a definition of an estimate and include other amendments to IAS 8 clarifying how to distinguish a change in accounting policy from a change in estimate. The above distinction is very important because changes in accounting policies are generally applied retrospectively while changes in estimates are recognised in the period in which the changes occur.

The above changes are not expected to have material impact on the Group’s financial statements.

The Group has not decided to adopt earlier any other standard, interpretation or amendment that was issued but is not yet effective.

6.2. Foreign currency translation

Transactions denominated in currencies other than the functional currency of the entity are translated into the presentation currency at the foreign exchange rate prevailing on the transaction date.

On the balance sheet date, monetary assets and liabilities expressed in currencies other than the functional currency of the entity are translated into the functional currency using the mean foreign exchange rate prevailing for the presentation currency as at the end of the reporting period. Foreign exchange differences from translation are recognised under financial income or financial expenses or are capitalised as cost of assets, as defined in the accounting policies. Non-monetary foreign currency assets and liabilities recognised at historical cost are translated at the historical foreign exchange rates prevailing on the transaction date. Non-monetary foreign currency assets and liabilities recognised at fair value are translated into PLN using the rate of exchange prevailing on the date of revaluation to fair value.

The functional currencies of the foreign subsidiaries are EUR, SEK, DKK, NOK, GBP and CHF. As on the balance sheet date, the assets and liabilities of those subsidiaries are translated into the presentation currency of the Group (PLN) at the rate of exchange prevailing on the balance sheet date and their profit and loss accounts are translated using the average weighted exchange rates for the relevant reporting period. The FX differences on translation are recognised in other total comprehensive income and cumulated in a separate equity item. On disposal of a foreign operation, the cumulative amount of the deferred exchange differences recognised in equity and relating to that particular foreign operation shall be recognised in the profit and loss account.
Exchange differences on loans treated in compliance with IAS 21 as investments in subsidiaries are recognised in the interim abbreviated consolidated financial statements in other total comprehensive income.

The following exchange rates were used for book valuation purposes:

	30 June 2021	31 December 2020
USD	3,8035	3,7584
EUR	4,5208	4,6148
SEK	0,4466	0,4598
DKK	0,6080	0,6202
NOK	0,4434	0,4400
GBP	5,2616	5,1327
CHF	4,1212	4,2641

Mean foreign exchange rates for the reporting periods are as follows:

	01/01 - 30/06/2021	01/01 - 30/06/2020
USD	3,7682	4,0085
EUR	4,5396	4,4143
SEK	0,4481	0,4140
DKK	0,6104	0,5914
NOK	0,4463	0,4114
GBP	5,2328	5,0479
CHF	4,1473	4,1499

6.3. Changes in comparative data

As of 30 June 2021, the Group has separated new items in the statement of financial position: employee liabilities and grants and deferred income, in the non-current and current portions of liabilities, respectively. Employee liabilities comprise mainly provisions for severance payments, liabilities for salaries and related taxes and social security, and accruals for unused leave and bonuses. Grants and deferred income include grants for tangible and intangible fixed assets and other deferred income.

The table below shows the impact of the change in presentation on selected items of the statement of financial position as at 31 December 2020

	Approved data	Impact of the adjustment	Transformed data
Impact on the consolidated report on financing activities as at 31 December 2020			
Long-term liabilities (selected items)			
Provisions	137 373	(135 994)	1 379
Employee liabilities	-	135 994	135 994
Grants and deferred income	-	14 631	14 631
Accruals and deferred income	14 631	(14 631)	-
Short-term liabilities (selected items)			
Provisions	756	(640)	116
Trade and other payables	379 445	(11 694)	367 751
Employee liabilities	-	106 069	106 069
Grants and deferred income	-	5 618	5 618
Accruals and deferred income	99 353	(99 353)	-
Total impact on equity and liabilities	631 558	(0)	631 558

Moreover, in order to standardize the presentation under other financial and non-financial fixed assets, the amount of PLN 2,283 thousand was transferred from other non-financial assets to other financial assets as at December 31, 2020.

7. Seasonality

The Group’s activities are not of seasonal nature. Therefore, the results presented by the Group do not change significantly during the year.

8. Information on business segments

Operational segments cover continuing activities. The Group's principal activity is the manufacture of paper and pulp.
The paper production business is presented as the “Uncoated” and “Coated” segments and includes the financial results of the three paper mills:

— Arctic Paper Kostrzyn S.A. (Poland) – producer of high quality uncoated graphic paper under the Amber brand; production output of 315,000 tonnes of paper annually;
— Arctic Paper Munkedals AB (Sweden) – a producer of high quality uncoated graphic paper under the Munken brand; production output of 160,000 tonnes of paper annually;
— Arctic Paper Grycksbo (Sweden) – production of coated wood-free paper under the brands of G-Print and Arctic; production output of 210,000 tonnes annually.

The pulp business is presented as the “Pulp” segment and includes, among others, two Pulp Mills:

— the Pulp Mill in Rottneros (Sweden) produces mainly two types of mechanical pulp: groundwood and chemo-thermo mechanical pulp (CTMP), production level of about 160,000 tonnes annually;
— the Pulp Mill in Vallvik (Sweden) produces two types of long-fibre sulphate pulp: fully bleached sulphate pulp and unbleached sulphate pulp. The most of Vallvik Pulp Mill production is known as NBSK pulp. Production level of about 240,000 tonnes annually.

The Group identifies the following business segments:

— **Uncoated paper** – paper for printing or other graphic purposes, including wood-free and wood-containing paper. Uncoated wood-free paper can be produced from various types of pulp, with different filler content, and can undergo various finishing processes, such as surface sizing and calendering. Two main categories of this type of paper are graphic paper (used for example for printing books and catalogues) and office papers (for instance, photocopy paper);

however, the Group currently does not produce office paper. Uncoated wood paper from mechanical pulp intended for printing or other graphic purposes. This type of paper is used for printing magazines with the use of rotogravure or offset printing techniques. The segment also included data for the AP Mochenwangen Group.

— **Coated paper** – coated wood-free paper for printing or other graphic purposes, one-side or two-side coated with mixtures containing mineral pigments, such as china clay, calcium carbonate, etc. The coating process can involve different methods, both on-line and off-line, and can be supplemented by super-calendering to ensure a smooth surface. Coating improves the printing quality of photographs and illustrations.
— Pulp – fully bleached sulphate pulp and unbleached sulphate pulp which is used mainly for the production of printing and writing papers, cardboard, toilet paper and white packaging paper as well as chemi thermo mechanical pulp (CTMP) and groundwood which are used mainly for production of printing and writing papers.

The exclusions include the exclusions of turnover and settlements between segments and the results of operations of Arctic Paper S.A. and Arctic Paper Finance AB.

The split of operating segments into the uncoated and coated paper segments is due to the following factors:
— Demand for products and their supply as well as the prices of products sold in the market are affected by key operational factors for each segment, such as e.g. the production capacity level in the specific paper segment,
— The key operating parameters such as inflow of orders or the level of production costs are determined by the factors that are similar for each paper segment,
— The products manufactured at the Paper Mills operated by the Group may (with certain restrictions) be allocated to production in other entities within the same paper segment which to a certain extent distorts the financial results generated by each Paper Mill,
— The results of the Arctic Paper Group are under the pressure of global market trends with respect to the prices of paper and core raw materials, in particular of pulp, and to a lesser extent are subject to the specific conditions of production entities.

Every month, on the basis of internal reports received from companies (apart from companies of the Rottneros Group), the results in each operating segment are analysed by the management of the Group. The financial results of companies in the Rottneros Groups are analysed on the basis of quarterly financial results published on the websites of Rottneros AB.

The operating results are measured primarily on the basis of EBITDA calculated by adding depreciation/amortisation and impairment allowances to tangible fixed assets and intangible assets to operating profit (loss), in each case in compliance with EU IFRS. In accordance with EU IFRS, EBITDA is not a metric of operating profit (loss), operational results or liquidity. EBITDA is a metric that the Management Board uses to manage the operations.

Transactions between segments are concluded at arms’ length like between unrelated entities.

The table below presents data concerning revenues and profit as well as certain assets and liabilities split by segments of the Group for the period of 6 months ended on 30 June 2021 and as at 30 June 2021.

6-month period ended on 30 June 2021 and on 30 June 2021

	Continuing operations					
	Uncoated	Coated	Pulp	Total	Eliminations	Continuing opetations
Revenues						
Sales to external customers	778 990	295 130	495 253	1 569 373	-	1 569 373
Sales between segments	-	11 394	13 308	24 702	(24 702)	-
Total segment revenues	778 990	306 524	508 561	1 594 075	(24 702)	1 569 373
Result of the segment						
EBITDA	84 758	205	73 463	158 426	(2 019)	156 407
Depreciation/amortisation	(34 857)	(2 877)	(20 722)	(58 456)	(243)	(58 699)
Operating profit (loss)	49 901	(2 672)	52 741	99 970	(2 262)	97 708
Interest income	(5)	39	-	34	193	227
Interest expense	(179)	(1 838)	(4 481)	(6 498)	(3 056)	(9 554)
FX gains and other financial income	974	296	4 481	5 751	(4 241)	1 510
FX losses and other financial expenses	(4 426)	(2 071)	-	(6 496)	1 703	(4 793)
Gross profit	46 266	(6 246)	52 741	92 761	(7 664)	85 098
Assets of the segment	1 049 785	262 882	1 052 967	2 365 634	(144 094)	2 221 541
Liabilities of the segment	536 400	346 135	406 406	1 288 941	(186 024)	1 102 917
Capital expenditures	(43 579)	(4 132)	(16 085)	(63 796)	(9)	(63 805)
Interests in joint ventures	1 630	-	-	1 630	-	1 630

— Revenues from inter-segment transactions are eliminated on consolidation.

— The results of the segments do not cover financial income (PLN 1,737 thousand of which PLN 227 thousand is interest income) and financial expenses (PLN 14,347 thousand of which PLN 9,554 thousand is interest expense), depreciation/amortisation (PLN 58,699 thousand) and income tax liability (PLN -17,229 thousand).

— Segment assets do not include deferred taxes (PLN 20,969 thousand), as this item is managed at Group level and interests in joint ventures (PLN 1,630 thousand). Segment liabilities do not include deferred taxes (PLN 71,570 thousand) since this item is managed at the Group level.

The table below presents data concerning revenues and profit as well as certain assets and liabilities split by segments of the Group for the period of 3 months ended on 30 June 2021 and as at 30 June 2021.

3-month period ended on 30 June 2021 and on 30 June 2021

	Continuing operations					
	Uncoated	Coated	Pulp	Total	Eliminations	Continuing opetations
Revenues						
Sales to external customers	377 226	149 555	259 780	786 561	-	786 561
Sales between segments	-	3 628	5 281	8 909	(8 909)	-
Total segment revenues	377 226	153 183	265 061	795 470	(8 909)	786 561
Result of the segment						
EBITDA	30 264	(3 602)	58 215	84 877	(702)	84 175
Depreciation/amortisation	(17 569)	(1 406)	(10 558)	(29 533)	(117)	(29 650)
Operating profit (loss)	12 695	(5 008)	47 657	55 344	(819)	54 525
Interest income	25	24	-	49	60	109
Interest expense	57	(1 437)	(2 684)	(4 063)	(966)	(5 029)
FX gains and other financial income	(1 868)	139	(461)	(2 190)	1 234	(956)
FX losses and other financial expenses	(3 324)	737	-	(2 586)	139	(2 447)
Gross profit	7 586	(5 544)	44 512	46 553	(352)	46 201
Assets of the segment	1 049 785	262 882	1 052 967	2 365 634	(144 094)	2 221 541
Liabilities of the segment	536 400	346 135	406 406	1 288 941	(186 024)	1 102 917
Capital expenditures	(16 600)	(2 249)	(9 421)	(28 271)	(9)	(28 280)
Interests in joint ventures	1 630	-	-	1 630	-	1 630

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN -847 thousand of which PLN 109 thousand is interest income) and financial expenses (PLN 7,476 thousand of which PLN 5,029 thousand is interest expense), depreciation/amortisation (PLN 29,650 thousand) and income tax liability (PLN -10,601 thousand).
- Segment assets do not include deferred taxes (PLN 20,969 thousand), as this item is managed at Group level and interests in joint ventures (PLN 1,630 thousand). Segment liabilities do not include deferred taxes (PLN 71,570 thousand) since this item is managed at the Group level.

The table below presents data concerning revenues and profit as well as certain assets and liabilities split by segments of the Group for the period of 6 months ended on 30 June 2020 and as at 31 December 2020.

6-month period ended on 30 June 2020 and on 31 December 2020

	Continuing operations					
	Uncoated	Coated	Pulp	Total	Eliminations	Continuing opetations
Revenues						
Sales to external customers	718 404	273 149	438 395	1 429 948	-	1 429 948
Sales between segments	-	12 030	14 933	26 962	(26 962)	-
Total segment revenues	718 404	285 178	453 327	1 456 910	(26 962)	1 429 948
Result of the segment						
EBITDA	97 702	19 856	45 126	162 684	(2 833)	159 851
Depreciation/amortisation	(32 500)	(2 404)	-20 534	(55 438)	(517)	(55 955)
Operating profit (loss)	65 202	17 453	24 592	107 246	(3 350)	103 896
Interest income	222	82	-	304	399	703
Interest expense	(2 059)	(1 896)	(4 140)	(8 095)	(3 253)	(11 348)
FX gains and other financial income	2 510	48	828	3 386	(3 376)	10
FX losses and other financial expenses	(2 437)	(4 281)	-	(6 717)	1 891	(4 827)
Gross profit (loss)	63 439	11 405	21 280	96 123	(7 690)	88 434
Assets of the segment	1 019 390	313 735	1 013 394	2 346 519	(236 669)	2 109 850
Liabilities of the segment	446 214	409 052	386 692	1 241 957	(209 793)	1 032 164
Capital expenditures	(37 384)	(9 191)	(25 761)	(72 336)	-	(72 336)
Interests in joint ventures	1 678	-	-	1 678	-	1 678

— Revenues from inter-segment transactions are eliminated on consolidation.

— The results of the segments do not cover financial income (PLN 713 thousand of which PLN 703 thousand is interest income) and financial expenses (PLN 16,175 thousand of which PLN 11,348 thousand is interest expense), depreciation/amortisation (PLN 55,955 thousand) and income tax liability (PLN -15,372).

— Segment assets do not include deferred taxes (PLN 25,117 thousand), as this item is managed at Group level and interests in joint ventures (PLN 1,678 thousand). Segment liabilities do not include deferred taxes (PLN 71,448 thousand) since this item is managed at the Group level.

The table below presents data concerning revenues and profit as well as certain assets and liabilities split by segments of the Group for the period of 3 months ended on 30 June 2020 and as at 31 December 2020.

3-month period ended on 30 June 2020 and on 31 December 2020

	Continuing Operations					
	Uncoated	Coated	Pulp	Total	Eliminations	Continuing opetations
Revenues						
Sales to external customers	293 909	109 864	212 227	616 000	-	616 000
Sales between segments	-	3 237	3 903	7 140	(7 140)	-
Total segment revenues	293 909	113 101	216 130	623 140	(7 140)	616 000
Result of the segment						
EBITDA	28 245	2 224	18 365	48 834	(817)	48 017
Depreciation/amortisation	(16 532)	2 861	(9 870)	(23 541)	(245)	(23 786)
Operating profit (loss)	11 714	5 085	8 495	25 293	(1 062)	24 231
Interest income	105	20	-	126	146	271
Interest expense income	(886)	(1 011)	(2 113)	(4 010)	(1 108)	(5 118)
FX gains and other financial income	(2 187)	25	(4 849)	(7 011)	5 996	(1 015)
FX losses and other financial expenses	(1 462)	2 302	-	840	(4 191)	(3 351)
Gross profit (loss)	7 283	6 421	1 533	15 238	(221)	15 017
Assets of the segment	1 019 390	313 735	1 013 394	2 346 519	(236 669)	2 109 850
Liabilities of the segment	446 214	409 052	386 692	1 241 957	(209 793)	1 032 164
Capital expenditures	(17 913)	(4 896)	(16 834)	(39 643)	-	(39 643)
Interests in joint ventures	1 678	-	-	1 678	-	1 678

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN -744 thousand of which PLN 271 thousand is interest income) and financial expenses (PLN 8,470 thousand of which PLN 5,118 thousand is interest expense), depreciation/amortisation (PLN 23,786 thousand) and income tax liability (PLN -4,244 thousand).
- Segment assets do not include deferred taxes (PLN 25,117 thousand), as this item is managed at Group level and interests in joint ventures (PLN 1,678 thousand). Segment liabilities do not include deferred taxes (PLN 71,448 thousand) since this item is managed at the Group level.

9. Income and costs

9.1. Revenues from contracts with customers

The following table shows the Group's revenue from sales of paper and pulp from external customers by country and region for the 6 months ended 30 June 2021 and 30 June 2020:

Revenues from sales of paper and pulp from external customers:	6-month period ended on 30 June 2020 (unaudited)	6-month period ended on 30 June 2020 (unaudited)
Germany	291 009	292 526
France	105 870	100 858
UK	131 520	105 189
Scandinavia	244 943	221 650
Western Europe (other countries)	244 528	217 757
Poland	168 973	161 813
Central and Eastern Europe (other than Poland)	161 167	163 866
Outside Europe	221 363	166 289
Total revenues	1 569 373	1 429 948

More information on revenue from sales of paper and pulp is described in this Semi-annual Report, under Management Report, Summary of Consolidated Financial Results.

9.2. Costs, other income, income tax

The costs items, other income items and income tax are described in this Half-Yearly Report, under Management Report: Summary of the consolidated financial results

10. Cash and cash equivalents

For the purposes of the interim abbreviated consolidated statement of cash flow, cash and cash equivalents include the following items:

	As at 30 June 2021 (unaudited)	As at 31 December 2020
Cash in bank and on hand	244 764	255 563
Short-term deposits	-	-
Cash in transit	-	-
Cash and cash equivalents in the consolidated balance sheet	244 764	255 563
Cash and cash equivalents in the consolidated cash flow statement	244 764	255 563

11. Dividend paid and proposed

11.1. Dividend disbursed and proposed to be disbursed by Arctic Paper S.A.

Dividend is paid based on the net profit disclosed in the standalone annual financial statements of Arctic Paper S.A. after covering losses carried forward from the previous years.

In accordance with provisions of the Code of Commercial Companies, the Parent Entity is obliged to establish reserve capital to cover potential losses. At least 8% of the profit for the financial year disclosed in the standalone financial statements of the Parent Entity should be transferred to the category of capital until the capital has reached the amount of at least one third of the share capital of the Parent Entity. The use of reserve capital and reserve funds is determined by the General

Meeting; however, a part of reserve capital equal to one third of the share capital can be used solely to cover the losses disclosed in the standalone financial statements of the Parent Entity and cannot be distributed to other purposes.

As on the date hereof, the Company had no preferred shares.
The possibility of disbursement of potential dividend by the Company to its shareholders depends on the level of payments received from its subsidiaries. The risk associated with the Company's ability to disburse dividend was described in the part "Risk factors" of the Management Board's report.

In connection with the term and revolving facilities agreements signed on 2 April 2021, the Company's ability to pay dividends is subject to the Group meeting certain financial ratios in the period prior to payment (as that term is defined in the term and revolving facilities agreement) and there being no event of default (as that term is defined in the term and revolving facilities agreement).

In 2020 the Company did not pay out dividend.

On 26 February 2021, the Management Board of the Company, taking into account the preliminary financial results of the Company and the Arctic Paper S.A. Capital Group for the year 2020, made a decision to recommend to the Annual General Meeting of the Company to pay a dividend from the Company's net profit for the financial year 2020 and from the net profits from previous years accumulated on the Company's reserve capital, in the total amount of PLN 20,786,334.90, i.e. PLN 0.30 gross per share. This recommendation was positively reviewed by the Company's Supervisory Board on 25 March 2021.

The recommendation of the Management Board together with the opinion of the Supervisory Board was submitted to the General Meeting for resolution. The final decision on the distribution of the Company's 2020 profit and the payment of the dividend was taken by the Annual General Meeting held on 22 June 2021. Pursuant to the resolution of the AGM, on 14 July 2021, the Company paid a dividend as recommended by the Management Board and the Supervisory Board.

12. Earnings/(loss) per share

Earnings/(loss) per share are established by dividing the net profit/(loss) for the reporting period attributable to the Company's ordinary shareholders by the weighted average number of ordinary shares outstanding in the reporting period.

Information regarding profit/(loss) and the number of shares which constituted the basis to calculate earnings/(loss) per share and diluted earnings/(loss) per share on continuing operations and overall operations is presented below:

	3-month period ended on 30 June 2021 (unaudited)	6-month period ended on 30 June 2021 (unaudited)	3-month period ended on 30 June 2020 (unaudited)	6-month period ended on 30 June 2020 (unaudited)
Net profit (loss) period from continuing operations attributable to the shareholders of the Parent Entity	18 372	47 466	10 441	65 404
Net profit (loss) attributable to the shareholders of the Parent Entity	18 372	47 466	10 441	65 404
Number of ordinary shares – A series	50 000	50 000	50 000	50 000
Number of ordinary shares – B series	44 253 500	44 253 500	44 253 500	44 253 500
Number of ordinary shares – C series	8 100 000	8 100 000	8 100 000	8 100 000
Number of ordinary shares – E series	3 000 000	3 000 000	3 000 000	3 000 000
Number of ordinary shares – F series	13 884 283	13 884 283	13 884 283	13 884 283
Total number of shares	69 287 783	69 287 783	69 287 783	69 287 783
Weighted average number of shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Profit (loss) per share (in PLN)				
– basic earnings from the profit (loss) for the period attributable to the shareholders of the Parent Entity	0,27	0,69	0,15	0,94
Diluted profit (loss) per share (in PLN)				
– from the profit (loss) for the period attributable to the shareholders of the Parent Entity	0,27	0,69	0,15	0,94

13. Acquisition of a subsidiary company

On 1 January 2020 the Group – via Rottneros AB – acquired control over Nykvist Skogs AB, a company grouping private owners of forests in Sweden. The transaction provided a broader access to raw materials over a long-term horizon. The Group recognised goodwill (asset) of PLN 8,524 thousand. The net expenditure (after taking into account the receivables as at the date of acquisition and the value of the cash acquired) amounted to PLN 6,089 thousand.

14. Tangible fixed assets, intangible assets (including goodwill) and impairment

14.1. Tangible fixed assets and intangible assets

The net value of tangible fixed assets as at 30 June 2021 was PLN 1,086,308 thousand, including assets of the right of use of PLN 32,126 thousand. The net value of tangible fixed assets as at 31 December 2020 was PLN 1,047,972 thousand, including assets of the right of use of PLN 37,150 thousand.

A comparison to tangible fixed assets (without assets to use) for the six months of 2021 with the equivalent period of 2020 was as follows: The value of tangible fixed assets acquired in the period under report was PLN 78,073 thousand (for the period of 6 months ended on 30 June 2020 it was PLN 65,747 thousand). The net value of sold or liquidated tangible fixed assets for the period of 6 months ended on 30 June 2021 was PLN 391 thousand (for the period of 6 months ended on 30 June 2020 it was PLN 437 thousand). Depreciation allowances for the period of 6 months ended on 30 June 2021 amounted to PLN 51,694 thousand (for the period of 6 months ended on 30 June 2020 it was PLN 50,438 thousand). In the period of 6 months of 2021 and in the corresponding period of the previous year, the Group did not recognize or reverse an impairment charge for property, plant and equipment. FX differences amounted to PLN -19,778 thousand for the period of 6 months ended on 30 June 2021 (for the period of 6 months ended on 30 June 2020 they amounted to PLN +24,930 thousand). Additionally, the fair value of fixed assets taken over from the subsidiary company as of the day when control was acquired in H1 2020 was PLN 2,070 thousand.

A comparison of movements in assets to use for the first six months of 2021 with the equivalent period of 2020 was as follows: The increases for the 6-month period ended on 30 June 2021 amounted to PLN 854 thousand (for the 6-month period ended on 30 June 2020 the amount was PLN 1,429 thousand), the depreciation allowance for the 6 months ended on 30 June 2021 amounted to PLN 5,333 thousand (for the period of 6 months ended on 30 June 2020 it was PLN 4,357 thousand), the decreases for the 6-month period ended on 30 June 2021 amounted to PLN 0 thousand (for the 6-month period ended on 30 June 2020 the amount was PLN 264 thousand), FX gains/losses for the 6 months ended on 30 June 2021 amounted to PLN +545 thousand (for the period of 6 months ended on 30 June 2020 it was PLN +948 thousand).

The net value of intangible assets (including goodwill) as at 30 June 2021 amounted to PLN 49,077 thousand (31 December 2020: PLN 52,907 thousand). The value of intangible assets acquired in the period under report was PLN 2,241 thousand (for the period of 6 months ended on 30 June 2020 it was PLN 2,229 thousand). The net value of sold or liquidated intangible assets for the period of 6 months ended on 30 June 2021 was PLN 3,042 thousand (for the period of 6 months ended on 30 June 2020 it was PLN 213 thousand). Depreciation allowances for the period of 6 months ended on 30 June 2021 amounted to PLN 1,672 thousand (for the period of 6 months ended on 30 June 2020 it was PLN 1,160 thousand). The impairment allowance of assets for the period of 6 months ended on 30 June 2021 was PLN 0 thousand (for the period of 6 months ended on 30 June 2020 it was PLN 0 thousand). FX gains/losses for the period of 6 months ended on 30 June 2021 amounted to PLN -1,357 thousand (for the period of 6 months ended on 30 June 2020 it was PLN +1.291 thousand). In addition, the goodwill (positive goodwill) from the acquisition of the subsidiary in H1 2020 amounted to PLN 8,524 thousand.

Revenues from disposal of tangible fixed and intangible assets in H1 2021 amounted to PLN 11 thousand (in H1 2020: PLN 1,292 thousand).

14.2. Impairment of non-financial assets

As at 30 June 2021, no indicators of impairment of non-financial assets were identified and therefore no tested for impairment of non-financial fixed assets. As a result, the amount of the impairment allowances as at 30 June 2021 was not changed as compared to the impairment allowances as at 31 December 2020.

15. Inventories

	As at 30 June 2021 (unaudited)	As at 31 December 2020
Materials (at purchase prices)	179 122	145 949
Production in progress (at manufacturing costs)	6 341	8 075
Finished products, of which:		
At purchase price / manufacturing costs	194 562	149 921
At net realisable price	5 032	61 522
Advance payments for deliveries	73	24
Total inventories, at the lower of: purchase price / manufacturing costs or net realisable price	385 130	365 491
Impairment allowance to inventories	12 365	34 216
Total inventories before impairment allowance	397 494	399 707

The increase in inventories at 30 June 2021 compared to the previous year end was primarily due to an increase in raw material costs compared to 2020.

The decrease in inventory write-downs in the first half of 2021 was mainly due to the use of the write-down for the valuation of pulp below the net selling price and the use of the write-off for scrapping unused materials, including spare parts.

16. Trade and other receivables

	As at 30 June 2021 (unaudited)	As at 31 December 2020
Trade receivables	338 249	253 977
VAT receivables	36 381	35 273
Other third party receivables	7 374	4 972
Other receivables from related entities	3 225	3 320
Total (net) receivables	385 229	297 543
Impairment allowances to receivables	14 521	18 680
Gross receivables	399 750	316 223

The increase in trade receivables was due to higher sales in June 2021 compared to December 2020 (holiday period).

All the trade receivables specified above are receivables under contracts with customers and they do not contain any material financing element.

Trade receivables do not earn interest and have customary payment terms of 30 to 90 days.

The Group has an appropriate policy of selling solely to verified customers. Therefore, in the opinion of the management, there is no additional credit risk in excess of the level identified with the impairment allowance to uncollectible receivables characteristic for the Group's trade receivables.

The impairment allowance fully refers to receivables under contracts with customers. The decrease in the impairment allowance for receivables was mainly due to its utilisation and reversal in H1 2021.

Below is an analysis of trade receivables that as at 30 June 2021 and 31 December 2020 were overdue but not treated as uncollectible:

	Total	Not overdue	Overdue but collectible				
			< 30 days	30-60 days	60-90 days	90-120 days	>120 days
As at 30 June 2021	338 249	314 018	19 233	2 722	49	32	2 194
As at 31 December 2020	253 977	225 075	26 327	1 081	321	14	1 159

Receivables over 120 days in the prospective assessment of the Company's management qualify as collectible and therefore no impairment was recognised.

The maturities of other receivables from third parties do not exceed 360 days. Receivables from related entities cover primarily receivables from the core shareholder of AP S.A. and will be settled at dividend distribution.

The Group individually analyses the balances of receivables as well as the entire portfolio in terms of ageing. The Group did not recognise any allowance for the remaining balances.

17. Interest-bearing loans and bonds

In the period covered with these financial statements, the Group fully repaid its term loan under the bonds and the loan agreement of 9 September 2016 with a bank consortium of PLN 126,913 thousand also made a partial repayment of a PLN 448 thousand loan from Nordea Bank.

In April 2021, the Group signed a new term loan and revolving facilities agreement under which it entered into a term loan facility in the amount of PLN 145,621 thousand (see description below).

The other changes to loans and borrowings as at 30 June 2021, compared to 31 December 2020 result mainly from balance sheet evaluation.

On 2 April 2021 the Company signed a term and revolving facilities agreement (“Loan Agreement”) which was concluded between the Company as the borrower and guarantor, subsidiaries of the Company: Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, as guarantors (“Guarantors”) and a consortium of banks as follows: Santander Bank Polska S.A. (the “Collateral Agent”), BNP Paribas Bank Polska S.A. and Bank Polska Kasa Opieki S.A. (jointly: the “Lenders”), pursuant to which the Lenders granted to the Company a term loan divided into two tranches in the amounts of PLN 75,000,000 and EUR 16,100,000, respectively, and a revolving loan in the total amount of EUR 32,200,000 (jointly: the “Loans”).

In order to secure the claims of the Lenders under the Loan Agreement and the related financing documents, the Company and the Guarantors established, inter alia, the following securities: registered pledge and financial pledge on the shares of Arctic Paper Kostrzyn S.A., pledges on the shares of companies under Swedish law, i.e. Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, statements on submission to execution by the Company and Arctic Paper Kostrzyn S.A, registered and financial pledges on bank accounts of the Company and Arctic Paper Kostrzyn S.A., pledges on bank accounts of Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, mortgages established on real properties of Arctic Paper Kostrzyn S.A, mortgages established on properties of Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, registered pledges on assets of Arctic Paper Kostrzyn S.A. and security of rights under property insurance policies of the Company, Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB.

The agreements listed above constitute the acquisition of alternative financing and a change to the funding structure of the Company's capital group.

In accordance with the Loan Agreement, the Lenders provided the Company with the following Loans:
(i) a Term Loan repayable in two tranches: the first tranche in the amount of PLN 75,000,000 (seventy five million) and the second tranche in the amount of EUR 16,100,000 (sixteen million and one hundred thousand euro) (the “Term Loan”); and
(ii) a revolving loan of EUR 32,200,000 (thirty-two million, two hundred thousand euro) (the “Revolving Loan”).

Subject to the relevant terms of the Loan Agreement, the Term Loan was made available to refinance the existing financial indebtedness of the Company and its certain subsidiaries.

Subject to the relevant terms and conditions of the Loan Agreement, amounts raised under the Revolving Loan may be used for general corporate purposes and to fund the working capital of the Company and its certain subsidiaries (including intra-group lending in any form).

In accordance with the provisions of the Loan Agreement interest rate is variable, based on the WIBOR base rate in the case of financing in PLN and the EURIBOR base rate in the case of financing in EUR and a variable margin, the level of which will depend on the level of the net debt to EBITDA ratio.

In compliance with the Loan Agreement, some Loans will be repaid by:
(i) in the case of a Term Loan, on the day falling five years after the date of conclusion of the Loan Agreement; and
(ii) in the case of a Revolving Loan, on the date falling three years after the conclusion of the Loan Agreement with the option to extend the terms of the Revolving Loan for an additional two years in accordance with the terms of the Loan Agreement.

The Term Loans are repayable in equal semi-annual instalments commencing in November 2021 and the Revolving Loan is repayable on the final repayment date.

On 28 May 2021, the loan amounts were made available to the Company by the Lenders in accordance with the Loan Agreement. In connection with the disbursement of the Loans there has been:

i. the full repayment of the Company’s existing indebtedness under the Term and Revolving Facilities Agreement of 9 September 2016 (as amended) entered into between the Company, as lender, the Company's subsidiaries: Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, as guarantors and a consortium of banks as follows: BNP Paribas Bank Polska S.A., European Bank for Reconstruction and Development and Santander Bank Polska S.A. as mandated lead arrangers and lenders, Santander Bank Polska S.A. as agent and BNP Paribas Bank Polska S.A. as collateral agent (the “Previous Loan Agreement”), the execution of which was announced by the Company in current report No. 20/2016 of 9 September 2016; and

ii. closing and full settlement of the closing amount in respect of interest rate hedging transactions (irs) entered into in connection with the Prior Loan Agreement (the "Hedging Agreements").

At the same time, with the repayment of the Company's indebtedness under the Previous Loan Agreement, the Hedging Agreements and the early redemption of all of the Series A Bonds, as announced by the Company in current report No. 8/2021 of 1 March 2021, all collateral provided by the Company and the Company's subsidiaries expired: Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB in connection with an intercreditor agreement, under the English name – intercreditor agreement – concluded between the Company, Mr. Thomas Onstad, Santander Bank Polska (formerly: Bank Zachodni WBK S.A.), Haitong Bank Spółka Akcyjna, BNP Paribas Bank Polska S.A. (formerly: Bank BGŻ BNP Paribas S.A.) and other parties (the "Intercreditor Agreement"). The Company reported on the conclusion of the Intercreditor Agreement and the establishment of collateral in connection with this agreement in current report No. 20/2016 of 9 September 2016.

18. Trade and other payables

The value trade and other payables amounted to PLN 461,456 thousand as at 30 June 2021 (as at 31 December 2020: PLN 367,751 thousand). The increase in this item compared to the previous year-end was influenced by the following factors: an increase in the price of raw materials for paper production and higher purchases of raw materials at the Paper and Pulp Mills.

19. Share capital

There were no changes in share capital as at 30 June 2021 compared to 31 December 2020.

20. Financial instruments

The Group uses the following financial instruments: cash on hand and in bank accounts, loans, bonds, accounts receivable, accounts payable including lease agreements and interest SWAP contracts, forward contracts for the purchase of electricity and forward contracts for the sale of pulp.

As at 30 June 2021, the Company held the following financial instruments: cash on hand and in bank accounts, loans, bonds, accounts receivable, accounts payable including lease agreements and forward contracts for the purchase of electricity and forward contracts for the sale of pulp.

20.1. Fair value of each class of financial instruments

The table below presents the selected financial instruments held by the Group by their carrying amounts and split into into individual assets and liabilities.

		Book value	
	Category in compliance with IFRS 9	As at 30 June 2020	As at 31 December 2019
Financial assets			
Hedging instruments*	*IRZ*	19 933	13 107
Financial liabilities			
Bonds in SEK	*WwZK*	178 193	183 000
Bonds in PLN	*WwZK*	-	58 194
Interest-bearing bank loans and borrowings	*WwZK*	181 755	106 178
Hedging instruments*	*IRZ*	6 252	5 370

* derivative hedging instruments meeting the requirements of hedge accounting

Abbreviations used:

WwZK – Financial assets/liabilities measured at amortised cost
IRZ – hedge accounting instruments

The fair value of the bonds in SEK was based on the redemption price in July 2021 (see note 26) and amounted to PLN 182,347 thousand (book value PLN 178,193 thousand) at 30 June 2021 (31 December 2020: PLN 189,254 thousand based on Nasdaq quotations, book value PLN 183,000 thousand).

The bonds in PLN were redeemed before June 30, 2021. The fair value of bonds in PLN, determined using the discounted cash flow method, was PLN 58,500 thousand. PLN (book value PLN 58,194 thousand) as at December 31, 2020.

The fair value of the loans was PLN 183,066 thousand (book value PLN 181,755 thousand) as at June 30, 2021.

The fair value of the loans was PLN 106,899 thousand. PLN (book value PLN 106,178 thousand) as at December 31, 2020.

Hedging instruments are presented in the statement of financial position respectively under Other financial assets and Other financial liabilities.

As at 30 June 2021 and 31 December 2020, the fair value of the following financial assets and liabilities does not differ significantly from their book value:
- trade and other receivables,
- cash and cash equivalents,
- leasing liabilities;
- trade liabilities, for the purchase of tangible fixed assets and intangible assets.

More information on the fair value of financial instruments is provided in the Annual Consolidated Report for 2020, note 36.

As at 30 June 2021 and 31 December 2020, financial instruments by the measurement hierarchy are qualified to level 3 with the exception of SEK bonds (level 1) and derivative instruments (level 2).

21. Contingent liabilities and contingent assets

As at 30 June 2021, the Capital Group reported:

- contingent liability under a guarantee for FPG in favour of the mutual life insurance company PRI for SEK 937 thousand (PLN 418 thousand) at Arctic Paper Grycksbo AB and for SEK 764 thousand (PLN 341 thousand) at Arctic Paper Munkedals AB;
- a contingent liability of Arctic Paper Munkedals AB related to a surety for the obligations of Kalltorp Kraft HB in the amount of SEK 578 thousand (PLN 258 thousand);
- a bank guarantee in favour of Skatteverket Ludvika for SEK 135 thousand; (PLN 60 thousand);

22. Legal claims

Arctic Paper S.A. and its subsidiaries are not a party to any legal cases filed in court against them.

23. Tax settlements

Regulations related to VAT, corporate income tax and charges related to social insurance are subject to frequent modifications. Those frequent modifications result in unavailability of appropriate points of reference, inconsistent interpretations and few precedents that could apply. Additionally, the applicable regulations contain also certain ambiguities that result in differences of opinion as to legal interpretations of tax regulations – among public authorities and between public authorities and enterprises.

Tax settlements and other areas of operations (for instance customs or foreign exchange issues) may be inspected by the authorities that are entitled to impose high penalties and fines as well additional tax liabilities resulting from inspections that have to be paid along with high interest.

As a result, tax risk in Poland is higher than in countries with more mature tax systems.

Tax settlements may be subject to inspections for five years from the end of the year in which the tax was paid. As a result of inspections, the tax liability of the Group may be increased by additional tax liability. In the opinion of the Group, there is no need to establish additional provisions for any identified and quantifiable tax risk as at 30 June 2021.

On 15 July 2016, the Tax Code was amended to incorporate the provisions of the General Anti-Avoidance Rule (GAAR). GAAR is to prevent the development and use of artificial legal structures to avoid tax payments in Poland. GAAR defines tax avoidance as an activity pursued primarily to accomplish tax benefits that under the circumstances would be contradictory to the subject and purpose of the tax regulations. In accordance with GAAR, such activity would not generate tax benefits if the mode of operation was artificial. Any occurrence of (i) unjustified split to operations, (ii) involvement of intermediaries despite no economic justification, (iii) mutually exclusive of compensating elements, and (iv) other similar activities, may be treated as a premise to the existence of artificial activities subject to GAAR. The new regulations require more accurate judgements in the assessment of tax effects of each transaction.

24. Future contractual investment obligations

Future contractual commitments to purchase tangible fixed assets concluded until 30 June 2021 and not required to be recognised in the consolidated statement of financial position at that date amounted to PLN 31,731 thousand.

25. Transactions with related entities

The related entities to the Arctic Paper S.A. Group are as follows:

- Thomas Onstad – the corer shareholder of Arctic Paper S.A. holding directly or indirectly over 50% of shares in the Company's share capital.
- Nemus Holding AB – parent entity to the Arctic Paper S.A. Group since 3 September 2014.
- Munkedal Skog – a subsidiary of Nemus Holding AB,
- Key management personnel.

Transactions with related entities are carried out at arm’s length.

The table below presents the total amount of transactions concluded with related entities within the 6-month period ended on 30 June 2021 and as at 30 June 2021:

Data for the period from 1 January 2021 to 30 June 2021 and as at 30 June 2021

Related Entity	Sales to related entities	Purchases from related entities/ salaries	Interest – financial income	Interest – financial expense	Receivables from related entities	Loan receivables	Liabilities to related entities
Nemus Holding AB	219	31	-	-	3 225	-	12 121
Thomas Onstad	-	-	-	-	-	-	1 867
Munkedals Skog	-	3	-	-	-	-	-
Key management personnel	-	1 551	-	-	-	-	162
Total	219	1 586	-	-	3 225	-	14 150

The table below presents the total amount of transactions concluded with related entities within the 6-month period ended on 30 June 2020 and as at 31 December 2020:

Data for the period from 1 January 2020 to 30 June 2020 and as at 30 June 2020

Related Entity	Sales to related entities	Purchases from related entities/ salaries	Interest – financial income	Interest – financial expense	Receivables from related entities	Loan receivables	Liabilities to related entities
Nemus Holding AB	207	477	-	-	3 320	-	7
Thomas Onstad	-	-	-	561	-	-	-
Munkedals Skog	-	70	-	-	-	-	52
Key management personnel	-	1 535	-	-	-	-	446
Total	207	2 083	-	561	3 320	-	505

26. Material events after the reporting period

26.1. Redemption of bonds issued by Rottneros AB

On 8 July 2021, the subsidiary Rottneros AB decided on an early redemption of all bonds issued under the bond issue programme of up to SEK 600 million (i.e. up to PLN 267.5 million), which the Company reported in current report No. 16/2017 of 28 August 2017. The early redemption of the bonds, was carried out on 19 July 2021. The redemption of the bonds was financed by a term loan granted to Rottneros AB by Danske Bank. The redeemed bonds are redeemable. In connection with the redemption, the bonds will be delisted from Nasdaq Stockholm.

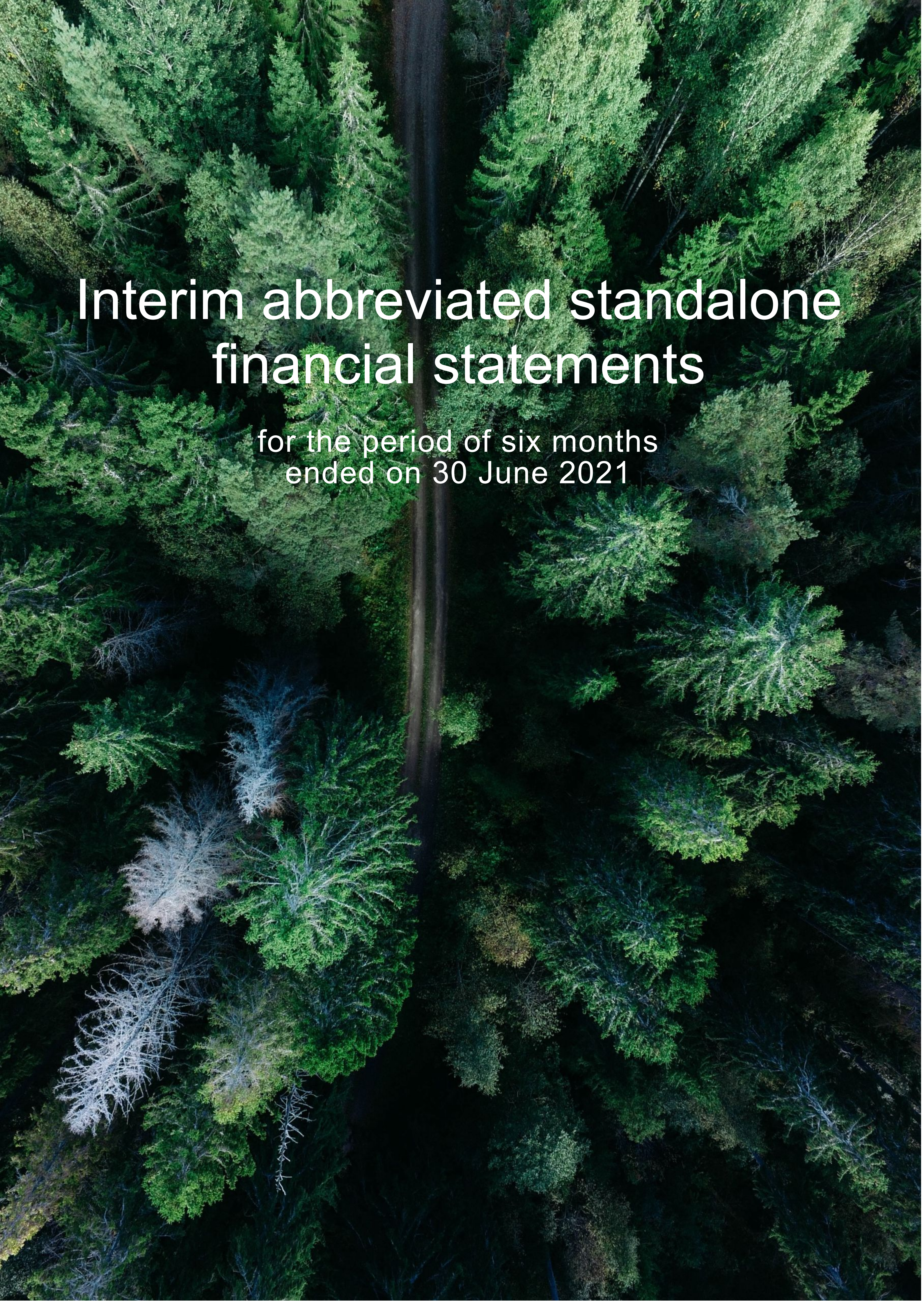
After 30 June 2021, until the publication date hereof there were no other material events requiring disclosure in this report with the exception of those events that were disclosed in this report in paragraphs above.

Signatures of the Members of the Management Board

Position	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Michał Jarczyński	17 August 2021	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Göran Eklund	17 August 2021	signed with a qualified electronic signature

Interim abbreviated standalone financial statements

for the period of six months
ended on 30 June 2021



Interim abbreviated standalone financial statements

Interim abbreviated standalone statement of profit and loss

	Note	3-month period ended on 30 June 2021 (unaudited)	6-month period ended on 30 June 2021 (unaudited)	3-month period ended on 30 June 2020 (unaudited)	6-month period ended on 30 June 2020 (unaudited)
Continuing operations					
Sales of services		5 712	9 575	4 750	8 994
Interest income on loans	11.1	676	1 503	787	1 713
Dividend income	15	760	760	304	304
Sales revenues		7 148	11 838	5 840	11 012
Interest expense to related entities and costs of sales of logistics services		(733)	(1 500)	(1 372)	(2 651)
Profit (loss) on sales		6 415	10 338	4 469	8 361
Other operating income		1	288	40	311
Administrative expenses	11.2	(5 664)	(10 131)	(4 842)	(10 325)
Impairment allowances to assets	11.4	(544)	(904)	(27)	(635)
Other operating expenses	11.3	(65)	(66)	(55)	(55)
Operating profit (loss)		142	(475)	(415)	(2 343)
Financial income		2 056	3 134	1 127	2 422
Financial expenses		(2 229)	(9 770)	(646)	(7 804)
Gross profit (loss)		(31)	(7 111)	66	(7 725)
Income tax		-	-	-	-
Net profit (loss) for the financial year		(31)	(7 111)	66	(7 725)
Earnings per share:					
– basic earnings from the profit (loss) for the period		(0,00)	(0,10)	0,00	(0,11)
– basic earnings from the profit (loss) from continuing operations for the period		(0,00)	(0,10)	0,00	(0,11)

Interim abbreviated standalone statement of comprehensive income

	3-month period ended on 30 June 2021 (unaudited)	6-month period ended on 30 June 2021 (unaudited)	3-month period ended on 30 June 2020 (unaudited)	6-month period ended on 30 June 2020 (unaudited)
Net profit (loss) for the reporting period	(31)	(7 111)	66	(7 725)
Items to be reclassified to profit/loss in future reporting periods:				
FX differences on translation of foreign operations	232	358	(354)	(465)
Items which were reclassified to profit/loss in current reporting period:				
Measurement of financial instruments	766	2 574	(90)	(78)
Other comprehensive income (net)	999	2 932	(443)	(543)
Total comprehensive income	967	(4 180)	(378)	(8 268)

Interim abbreviated standalone statement of financial condition

	Note	As at 30 June 2021 (unaudited)	As at 31 December 2020 (transformed)
ASSETS			
Fixed assets			
Tangible fixed assets	17	859	1 239
Intangible assets	17	1 323	1 440
Shares in subsidiaries	12	676 137	676 137
Other financial assets	18	4 731	22 982
		683 050	701 798
Current assets			
Trade and other receivables	16	27 707	28 973
Income tax receivables		-	335
Other financial assets		110 136	107 070
Other non-financial assets		3 882	3 793
Cash and cash equivalents	13	22 493	40 148
		164 218	180 319
TOTAL ASSETS		847 268	882 117
EQUITY AND LIABILITIES			
Equity			
Share capital	20.1	69 288	69 288
Reserve capital	20.4	427 502	427 502
Other reserves	20.5	121 916	136 741
FX differences on translation	20.3	808	450
Retained earnings / Accumulated losses	20.6	(73 885)	(63 386)
Total equity		545 629	570 595
Long-term liabilities			
Interest-bearing loans, borrowings and bonds	19	113 084	28 093
Employee liabilities		2 755	2 837
Deferred income tax liability		-	119
Other long-term liabilities		175	-
		116 014	31 049
Short-term liabilities			
Interest-bearing loans, borrowings and bonds	19	139 650	252 112
Trade payables		23 798	21 941
Other financial liabilities		130	2 717
Other short-term liabilities		21 660	2 064
Employee liabilities		387	1 638
		185 625	280 472
TOTAL LIABILITIES		301 639	311 521
TOTAL EQUITY AND LIABILITIES		847 268	882 117

Interim abbreviated standalone statement of cash flow

	Note	6-month period ended on 30 June 2021 (unaudited)	6-month period ended on 30 June 2020 (unaudited)
Cash flows from operating activities			
Gross profit (loss)		(7 111)	(7 725)
Adjustments for:			
Depreciation/amortisation		240	399
FX gains (loss)		2 357	6 212
Impairment of assets		-	-
Net interest		4 286	6 716
Profit / loss from investing activities		261	148
Increase / decrease in receivables and other non-financial assets		1 578	23 399
Increase / decrease in liabilities except for loans, borrowings and		(3 172)	(21 567)
Change in accruals and prepayments		-	(5 663)
Change in provisions		(82)	93
Income tax paid		-	-
Change to liabilities due to cash-pooling		(71 748)	23 017
Increase / decrease of loans granted to subsidiaries		40 043	17 451
Other		3 400	(671)
Net cash flows from operating activities		(29 949)	41 810
Cash flows from investing activities			
Disposal of tangible fixed assets and intangible assets		-	-
Purchase of tangible fixed assets and intangible assets		-	-
Increased interest in subsidiary entity		-	-
Net cash flows from investing activities		-	-
Cash flows from financing activities			
Repayment of leasing liabilities		(119)	(298)
Borrowings received		145 604	-
Repayment of loan liabilities		(130 718)	-
Interest paid		(2 473)	(5 382)
Net cash flows from financing activities		12 293	(48 638)
Change in cash and cash equivalents		(17 655)	(6 828)
Cash and cash equivalents at the beginning of the period		40 148	31 939
Cash and cash equivalents at the end of the period	13	22 493	25 111

Interim abbreviated standalone statement of changes in equity

	Attributable to the shareholders of the Parent Entity					
	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings (Accumulated losses)	Total equity
As at 01 January 2021	69 288	427 502	450	136 741	(63 386)	570 594
Net profit for the period	-	-	-	-	(7 111)	(7 111)
Other comprehensive income (net) for the period	-	-	358	2 574	-	2 932
Total comprehensive income for the period	-	-	358	2 574	(7 111)	(4 180)
Profit distribution	-		-	-	-	-
Dividend distribution	-	-	-	(17 399)	(3 387)	(20 786)
As at 30 June 2021 (unaudited)	69 288	427 502	808	121 916	(73 885)	545 628

	Attributable to the shareholders of the Parent Entity					
	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings (Accumulated losses)	Total equity
As at 01 January 2020	69 288	427 502	1 785	103 115	(33 611)	568 078
Net profit for the period	-	-	-	-	(7 725)	(7 725)
Other comprehensive income (net) for the period	-	-	(465)	(78)	-	(543)
Total comprehensive income for the period	-	-	(465)	(78)	(7 725)	(8 268)
Profit distribution	-	-	-	-	-	-
As at 30 June 2020 (unaudited)	69 288	427 502	1 320	103 037	(41 336)	559 811

Additional explanatory notes

1. General information

Arctic Paper S.A. (“Company”, “Entity”) is a joint stock company established with Notary deed on 30 April 2008 with its stock publicly listed.

The Company’s registered office is located in Kostrzyn, at ul. Fabryczna 1. The Company also has a foreign branch in Göteborg, Sweden.

The Company is entered in the register of entrepreneurs of the National Court Register maintained by the District Court in Zielona Góra – Nowe Miasto i Wilda, 8th Commercial Division of the National Court Register, under KRS number 0000306944. The Company holds statistical number REGON 080262255.

The duration of the Company is indefinite.

Nemus Holding AB is the direct Parent Entity to the Company. The ultimate parent of the entire Arctic Paper Group is Incarta Development S.A., controlled by Mr Thomas Onstad

Holding operations is the core business of the Company.

The interim abbreviated standalone financial statements of the Company with respect to the interim abbreviated standalone statement of profit and loss, statement of comprehensive income, statement of cash flow and statement of changes to equity, cover the period of 6 months ended on 30 June 2021 and contain comparable data for the period of 6 months ended on 30 June 2020; and in the interim abbreviated standalone statement of financial condition, it presents data as at 30 June 2021 and as at 31 December 2020.

The interim abbreviated standalone statement of comprehensive income, the interim abbreviated standalone statement of profit and loss contain data for the period of 3 months ended on 30 June 2021 and comparable data for the period of 3 months ended on 30 June 2020.

2. Basis of preparation of the interim abbreviated financial statements

These interim abbreviated standalone financial statements have been prepared in compliance with International Accounting Standard No. 34.

These interim abbreviated standalone financial statements have been presented in Polish zloty (“PLN”) and all values are rounded to the nearest thousand (PLN ‘000) except as stated otherwise.

These interim abbreviated standalone financial statements have been prepared based on the assumption that the Company will continue as a going concern in the foreseeable future.

The interim abbreviated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended on 31 December 2020.

3. Identification of the consolidated financial statements

The Company made its interim abbreviated consolidated financial statements for the 6-month period ended on 30 June 2021 which were approved for publication by the Management Board on 17 August 2021.

4. Composition of the Company’s Management Board

As at 30 June 2021, the Company’s Management Board was composed of:

— Michał Jarczyński – President of the Management Board appointed on 1 February 2019;
— Göran Eklund – Member of the Management Board appointed on 30 August 2017.

Until the publication hereof, there were no changes to the composition of the Management Board of the Company.

5. Composition of the Company's Supervisory Board

As at 30 June 2021, the Company's Supervisory Board was composed of:

— Per Lundeen – Chairman of the Supervisory Board appointed on 22 September 2016 (appointed to the Supervisory Board on 14 September 2016);
— Roger Mattsson – Deputy Chairman of the Supervisory Board appointed on 22 September 2016 (appointed to the Supervisory Board on 14 September 2016);
— Thomas Onstad – Member of the Supervisory Board appointed on 22 October 2008;
— Zofia Dzik – Member of the Supervisory Board appointed on 22 June 2021;
— Anna Jakubowski – Member of the Supervisory Board appointed on 22 June 2021;

On 20 May 2021, Ms Dorota Raben filed her resignation as Member of the Supervisory Board of the Company with effect from 22 June 2021.

On 26 May 2021, Mr Mariusz Grendowicz filed his resignation as Member of the Supervisory Board of the Company with effect from 22 June 2021.

On 22 June 2021, the Annual General Meeting of the Company, passed a resolution on the appointment of Ms Zofia Dzik and Ms Anna Jakubowski to the Supervisory Board.

Until the date hereof, there were no other changes to the composition of the Supervisory Board of the Company.

6. Approval of the interim abbreviated standalone financial statements

On 17 August 2021, these interim abbreviated standalone financial statements of the Company for the 6-month period ended on 30 June 2021 were approved for publication by the Management Board.

7. Investments by the Company

The Company holds interests in the following subsidiary companies:

Entity	Registered office	Business objects	Company's interest in the equity of the subsidiary entities		
			17 August 2021	30 June 2021	31 December 2020
Arctic Paper Kostrzyn S.A.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Paper production	100%	100%	100%
Arctic Paper Munkedals AB	Sweden, SE 455 81 Munkedal	Paper production	100%	100%	100%
Arctic Paper Investment AB	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	100%	100%
Arctic Paper UK Limited	United Kingdom, 8 St Thomas Street SE1 9RR London	Trading company	100%	100%	100%
Arctic Paper Baltic States SIA	Latvia, K. Vardemara iela 33-20, Riga LV-1010	Trading company	100%	100%	100%
Arctic Paper Deutschland GmbH	Germany, Am Sandtorkai 72, D-20457 Hamburg	Trading company	100%	100%	100%
Arctic Paper Benelux S.A.	Belgium, Ophemstraat 24, B-3050 Oud-Heverlee	Trading company	100%	100%	100%
Arctic Paper Schweiz AG	Switzerland, Gutenbergstrasse 1, CH-4552 Derendingen	Trading company	100%	100%	100%
Arctic Paper Italia srl	Italy, Via Cavriana 7, 20 134 Milan	Trading company	100%	100%	100%
Arctic Paper Danmark A/S	Denmark, Korskildelund 6 DK-2670 Greve	Trading company	100%	100%	100%
Arctic Paper France SAS	France, 43 rue de la Breche aux Loups, 75012 Paris	Trading company	100%	100%	100%
Arctic Paper Espana SL	Spain, Avenida Diagonal 472-474, 9-1 Barcelona	Trading company	100%	100%	100%
Arctic Paper Papierhandels GmbH	Austria, Hainborgerstrasse 34A, A-1030 Wien	Trading company	100%	100%	100%
Arctic Paper Polska Sp. z o.o.	Poland, Okrężna 9, 02-916 Warszawa	Trading company	100%	100%	100%
Arctic Paper Norge AS	Norway, Eikenga 11-15, NO-0579 Oslo	Trading company	100%	100%	100%
Arctic Paper Sverige AB	Sweden, SE 455 81 Munkedal	Trading company	100%	100%	100%
Arctic Paper East Sp. z o.o.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Trading company	100%	100%	100%
Arctic Paper Investment GmbH	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Holding activities	99,8%	99,8%	99,8%
Arctic Paper Finance AB	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100,0%	100,0%	100,0%
Rottneros AB	Sweden, Söderhamn	Activities of holding companies	51,27%	51,27%	51,27%

As at 30 June 2021 and as at 31 December 2020, the share in the overall number of votes held by the Company in its subsidiary entities was equal to the share of the Company in the share capital of those entities.

8. Significant accounting principles (policies)

The accounting principles (policies) applied to prepare the interim abbreviated financial statements are compliant with those applied to the annual financial statements of the Company for the year ended on 31 December 2020, with the following exceptions:

— Amendments to IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021) – Amendments extend the period of temporary exemption from the application of *IFRS 9* Financial Instruments by two years to annual periods beginning on 1 January 2023 in order to align with the first application of *IFRS 17* Insurance Contracts, which replaces *IFRS 4* Insurance Contracts.

— Amendments to IFRS 16 Leases Covid-19 Rent Relief (effective for annual periods beginning on or after 1 July 2020, early application possible) – The amendments allow lessees not to assess whether Covid-19 rent relief is a modification of leases. Therefore, under the appropriate conditions, lessees who apply a practical solution will recognize the rent reliefs received until 31 June 2021 in profit or loss for the period in which the relief was granted. In the absence of a practical solution, the relief would be recognised in profit and loss over the term of the lease contract.

— Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments and IFRS 7 Financial Instruments: Disclosure of IFRS 4 Insurance Contracts and IFRS 16 Leases: Reform of the interest rate benchmark – Stage 2 (effective for annual periods beginning on or after 1 January 2021) -The purpose of the amendments is to make it easier for entities to provide users of financial statements and to assist entities that prepare IFRS-compliant financial statements with useful information when the contractual cash flows or hedging relationships change due to a change in the reference rate ratio. The amendments provide for a practical solution for certain changes in contractual cash flows and an exemption for certain hedge accounting requirements.

The aforesaid amendments did not have any significant impact on the Company's financial statements.

The Company has not earlier adopted any other standard, interpretation or amendment that was issued but is not yet effective.

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8.1. New standards and interpretations that have been published and are not yet effective

The following standards and interpretations were issued by the International Accounting Standards Board but are not yet effective:

— Sale or Transfer of Assets Between an Investor and an Associate or Joint Venture (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Associates – the European Commission decided to postpone the endorsement of these amendments indefinitely) – The amendments clarify that in the case of a transaction with an associate or a joint venture, the extent to which the associated gain or loss should be recognised depends on whether the assets transferred or sold were a business:
  - the entire profit or loss is recognised if the transferred assets meet the definition of a venture (irrespective of the fact if the venture is a subsidiary entity or not);
  - the profit or loss is recognised in part when the transaction covers assets that do not constitute a venture even if such assets were held in a subsidiary entity.

— IFRS *17* Insurance Contracts (effective for annual periods beginning on or after 1 January 2023, prospective application, early application permitted – the standard has not yet been endorsed by the EU) – IFRS 17, which replaces the transitional standard IFRS 4 Insurance Contracts which was introduced in 2004. IFRS 4 provided companies with a possibility to continue disclosing insurance contracts pursuant to the accounting principles applicable in national standards, which, as a result, meant application of different solutions. IFRS 17 solves the issue of comparability created by IFRS 4 through a requirement of coherent disclosure of all insurance contracts, which will be beneficial for both investors and insurers. Liabilities arising from contracts will be recognised at present values, instead of historic cost.

— Amendments to IFRS 3 Business Combinations, IAS 16 Tangible Fixed Assets, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Amendments to International Financial Reporting Standards 2018-2020 (effective for annual periods beginning on or after 1 January 2022, early application permitted – Amendments not yet endorsed by the EU) – The amendment package contains three amendments of narrow scope to the standards:

- updates the reference in IFRS 3 Business Combinations to the Framework for the Preparation and Presentation of Financial Statements without changing the accounting requirements for the recognition of business combinations,
- prohibits an entity from reducing the cost of an item of tangible fixed assets by the amount received from the sale of assets produced while the entity is preparing the item of tangible fixed assets for its intended use. Such income and related expenses will be recognised in profit or loss for the period,
- explains what costs an entity uses in assessing whether a particular contract will result in a loss.

The package also includes Amendments to International Financial Reporting Standards 2018-2020 which clarify the vocabulary used and correct minor inconsistencies, omissions or contradictions between the standards' requirements in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and examples in IFRS 16 Leases;

— Amendments to IAS 1 Presentation of Financial Statements Presentation of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023, earlier application permitted – Amendments not yet endorsed by the EU) – The amendments clarify that the presentation of liabilities as current or non-current should be based only on the entity's right at the reporting date to defer settlement of the liability. Such right to defer the payment of a liability for minimum 12 months from the reporting date does not have to be unconditional but it has to be material. The above presentation is not affected by intentions or expectations of the Entity's management as to the exercising of the right or the date when this is to happen. The amendments further provide clarification as to the events that are treated as discharge of liabilities.

— Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2023, earlier application permitted – Amendments not yet endorsed by the EU) – Amendments to IAS 1 require entities to disclose significant accounting policies instead of significant accounting policies;

— Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2023, earlier application permitted – Amendments not yet endorsed by the EU) – The amendments introduce a definition of an estimate and include other amendments to IAS 8 clarifying how to distinguish a change in accounting policy from a change in estimate. The above distinction is very important because changes in accounting policies are generally applied retrospectively while changes in estimates are recognised in the period in which the changes occur.

The above changes are not expected to have material impact on the Company's financial statements.

8.2. Change of comparable data

As of 30 June 2021, the Company separated in the statement of financial position new items: employee liabilities, respectively in the long-term and short-term liabilities. Employee liabilities include mainly provisions for retirement benefits, payroll and related taxes and social security liabilities, as well as accruals for unused leaves and bonuses.

The table below presents the impact of the change in presentation on selected items of the statement of financial position as at 31 December 2020.

	Approved data	Impact of the adjustment	Transformed data
Effect on statement of financial position as at 31 December 2020			
Long-term liabilities (selected items)			
Provisions	2 837	(2 837)	(0)
Long-term employee benefits	-	2 837	2 837
Short-term liabilities (selected items)			
Trade payables	18 443	3 498	21 941
Short-term employee benefits	-	1 638	1 638
Other short-term liabilities	1 685	379	2 064
Accruals and deferred income	5 515	(5 515)	-
Total impact on equity and liabilities	28 480	-	28 480

Moreover, in order to standardize the presentation under other financial and non-financial fixed assets, the amount of PLN 2,283 thousand was transferred from other non-financial assets to other financial assets as at 31 December 2020.

9. Seasonality

The Company's activities are not of seasonal nature. Therefore the results presented by the Company do not change significantly during the year.

10. Information on business segments

Arctic Paper S.A. is a holding company, providing services mostly to the Group companies. The Company operates in one segment, the results are assessed by the Management Board on the basis of financial statements.

The table below presents revenues from the sale of services, interest income on loans and dividend income for the 6-month period ended on 30 June 2021 and as at 30 June 2020 in geographical presentation.

The geographical split of revenues relies on the location of registered offices of the subsidiary companies of Arctic Paper S.A.

	Continuing operations	
	6-month period ended on 30 June 2020 (unaudited)	6-month period ended on 30 June 2019 (unaudited)
Geographical information		
Poland	4 207	4 411
Foreign countries, of which:		
- Sweden	6 865	6 291
- Other	766	310
Total	**11 838**	**11 012**

11. Income and costs

11.1. Interest income and expense

Interest income covers interest income on loans granted to other companies in the Group. Interest expense covers interest income on loans received from other companies in the Group and from banks. Interest expense covers interest income on loans received from Group companies and is disclosed as costs of sales.

11.2. Administrative expenses

The administrative expenses include costs of the administration of the Company operation, costs of services provided for the companies in the Group and all costs incurred by the Company for the purposes of pursuing holding company activities. In Q1 2021, the administrative expenses amounted to PLN 10,131 thousand (in H1 2020: PLN 10,325 thousand). The decrease of the administrative expenses is due to lower costs of services provided to the Company by external entities.

11.3. Other operating revenues and costs

Other operating revenues amounted to PLN 288 thousand in two quarters of 2021 (in the equivalent period of 2020: PLN 311 thousand). Other operating costs increased in the analysed period from PLN 55 thousand in H1 2020 to PLN 66 thousand in H1 2021.

11.4. Changes to impairment allowances to assets

The impairment allowances to assets in two quarters of 2021 amounted to PLN -904 thousand while in the equivalent period in 2020 it was PLN -635 thousand. In H1 2021 the Company recognised impairment allowances for receivables under loans to Arctic Paper Mochenwangen GmbH for PLN 904 thousand.

12. Investments in subsidiaries

The value of investments in subsidiary companies as at 30 June 2021 and as at 31 December 2020 was as follows:

	As at 30 June 2021 (unaudited)	As at 31 December 2020
Arctic Paper Kostrzyn S.A.	442 535	442 535
Arctic Paper Munkedals AB	88 175	88 175
Rottneros AB	101 616	101 616
Arctic Paper Investment AB, of which:	26 779	26 779
Arctic Paper Investment AB (shares)	*307 858*	307 858
Arctic Paper Investment AB (loans)	*82 709*	82 709
Arctic Paper Investment AB (impairment charge)	*(363 788)*	(363 788)
Arctic Paper Investment GmbH	-	-
Arctic Paper Investment GmbH (shares)	*120 031*	120 031
Arctic Paper Investment GmbH (impairment charge)	*(120 031)*	(120 031)
Arctic Paper Sverige AB	*2 936*	2 936
Arctic Paper Sverige AB (shares)	*11 721*	11 721
Arctic Paper Sverige AB (impairment charge)	*(8 785)*	(8 785)
Arctic Paper Danmark A/S	5 539	5 539
Arctic Paper Deutschland GmbH	4 977	4 977
Arctic Paper Norge AS	516	516
Arctic Paper Norge AS (shares)	3 194	3 194
Arctic Paper Norge AS (impairment charge)	(2 678)	(2 678)
Arctic Paper Italy srl	738	738
Arctic Paper UK Ltd.	522	522
Arctic Paper Polska Sp. z o.o.	406	406
Arctic Paper Benelux S.A.	387	387
Arctic Paper France SAS	326	326
Arctic Paper Espana SL	196	196
Arctic Paper Papierhandels GmbH	194	194
Arctic Paper East Sp. z o.o.	102	102
Arctic Paper Baltic States SIA	64	64
Arctic Paper Schweiz AG	61	61
Arctic Paper Finance AB	68	68
Total	**676 137**	**676 137**

The value of investments in subsidiary companies was disclosed on the basis of historic costs.

12.1. Impairment of assets in subsidiaries

As at 30 June 2021, there were no indications of impairment of assets in subsidiaries and therefore no impairment tests were conducted for these assets. For this reason, the value of the write-offs as at 30 June 2021 did not change compared to the write-offs as at 31 December 2020.

13. Cash and cash equivalents

For the purposes of the interim abbreviated standalone statement of cash flow, cash and cash equivalents include the following items:

	As at 30 June 2021 (unaudited)	As at 30 June 2020 (unaudited)
Cash in bank and on hand	22 493	25 110
Total	**22 493**	**25 110**

14. Dividend paid and proposed

Dividend is paid based on the net profit disclosed in the standalone annual financial statements of Arctic Paper S.A. after covering losses carried forward from the previous years.

In accordance with provisions of the Code of Commercial Companies, the Entity is obliged to establish reserve capital to cover potential losses. At least 8% of the profit for the financial year disclosed in the standalone financial statements of the Entity should be transferred to the category of capital until the capital has reached the amount of at least one third of the share capital of the Entity. The use of reserve capital and reserve funds is determined by the General Meeting; however, a part of reserve capital equal to one third of the share capital can be used solely to cover the losses disclosed in the standalone financial statements of the Entity and cannot be distributed to other purposes.

As on the date hereof, the Company had no preferred shares.

The possibility of disbursement of potential dividend by the Company to its shareholders depends on the level of payments received from its subsidiaries. The risk associated with the Company’s ability to disburse dividend was described in the part “Risk factors” of the annual report for 2020.

In connection with the term and revolving facilities agreements signed on 2 April 2021, the Company’s ability to pay dividends is subject to the Group meeting certain financial ratios in the period prior to payment (as that term is defined in the term and revolving facilities agreement) and there being no event of default (as that term is defined in the term and revolving facilities agreement).

In 2020 the Company did not pay out dividend.

On 26 February 2021, the Management Board of the Company, taking into account the preliminary financial results of the Company and the Arctic Paper S.A. Capital Group for the year 2020, made a decision to recommend to the Annual General Meeting of the Company to pay a dividend from the Company's net profit for the financial year 2020 and from the net profits from previous years accumulated on the Company's reserve capital, in the total amount of PLN 20,786,334.90, i.e. PLN 0.30 gross per share. This recommendation was positively reviewed by the Company's Supervisory Board on 25 March 2021.

The recommendation of the Management Board together with the opinion of the Supervisory Board was submitted to the General Meeting for resolution. The final decision on the distribution of the Company's 2020 profit and the payment of the dividend was taken by the Annual General Meeting held on 22 June 2021. Pursuant to the resolution of the AGM, on 14 July 2021, the Company paid a dividend as recommended by the Management Board and the Supervisory Board.

15. Dividend received

The dividend income disclosed in the comprehensive financial statement contains the dividend income received from:

- Arctic Paper France SAS of PLN 760 thousand.

16. Trade and other receivables

Trade and other receivables disclosed as at 30 June 2021 dropped by PLN 1,266 thousand compared to 31 December 2020.

17. Tangible fixed assets and intangible assets

17.1. Purchases and disposal

During both the six months ended 30 June 2021 and 30 June 2020, the Company did not acquire any tangible fixed assets or intangible assets (other than finance leases). Depreciation allowances for the period under report were PLN 240 thousand (for 6 months in 2020: PLN 399 thousand).

17.2. Impairment allowances

In the current period and in the equivalent period of the previous year the Company did not recognise or reverse any impairment charges to fixed assets.

18. Other financial assets

The other financial assets are composed of loans granted to subsidiary companies with accrued interest and also long-term assets related to receivables of employee benefits of the foreign Branch.

In compliance with the agreement, Arctic Paper Kostrzyn SA in H1 2021 repaid the loans in the amount of PLN 35,098 thousand (EUR 6,666 thousand and PLN 4,800 thousand). Arctic Paper Grycksbo AB repaid loans in the amount of PLN 2,532 thousand (EUR 556 thousand) and Arctic Paper Benelux S.A. repaid the loan amount of PLN 452 thousand (EUR 100 thousand). On the other hand, the increase in financial receivables was also significantly influenced by the increase in the cash-pool receivable of Arctic Paper Grycksbo by approximately PLN 26.6 million.

19. Interest-bearing loans, borrowings and bonds

In accordance with the loan agreement, in H1 2021 the Company repaid principal instalments and paid interest of PLN 128,9 million. The other changes to borrowings and loans are due inter alia to growing cash-pool liabilities (PLN -45 million).

On 2 April 2021 the Company signed a term and revolving facilities agreement ("Loan Agreement") which was concluded between the Company as the borrower and guarantor, subsidiaries of the Company: Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, as guarantors ("Guarantors") and a consortium of banks as follows: Santander Bank Polska S.A. (the "Collateral Agent"), BNP Paribas Bank Polska S.A. and Bank Polska Kasa Opieki S.A. (jointly: the "Lenders"), pursuant to which the Lenders granted to the Company a term loan divided into two tranches in the amounts of PLN 75,000,000 and EUR 16,100,000, respectively, and a revolving loan in the total amount of EUR 32,200,000 (jointly: the "Loans").

In order to secure the claims of the Lenders under the Loan Agreement and the related financing documents, the Company and the Guarantors established, inter alia, the following securities: registered pledge and financial pledge on the shares of Arctic Paper Kostrzyn S.A., pledges on the shares of companies under Swedish law, i.e. Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, statements on submission to execution by the Company and Arctic Paper Kostrzyn S.A, registered and financial pledges on bank accounts of the Company and Arctic Paper Kostrzyn S.A., pledges on bank accounts of Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, mortgages established on real properties of Arctic Paper Kostrzyn S.A, mortgages established on properties of Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, registered pledges on assets of Arctic Paper Kostrzyn S.A. and security of rights under property insurance policies of the Company, Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB.

The agreements listed above constitute the acquisition of alternative financing and a change to the funding structure of the Company's capital group.

In accordance with the Loan Agreement, the Lenders provided the Company with the following Loans:
(i) a Term Loan repayable in two tranches: the first tranche in the amount of PLN 75,000,000 (seventy five million) and the second tranche in the amount of EUR 16,100,000 (sixteen million and one hundred thousand euro) (the "Term Loan"); and
(ii) a revolving loan of EUR 32,200,000 (thirty-two million, two hundred thousand euro) (the "Revolving Loan").

Subject to the relevant terms of the Loan Agreement, the Term Loan was made available to refinance the existing financial indebtedness of the Company and its certain subsidiaries.

Subject to the relevant terms and conditions of the Loan Agreement, amounts raised under the Revolving Loan may be used for general corporate purposes and to fund the working capital of the Company and its certain subsidiaries (including intra-group lending in any form).

In accordance with the provisions of the Loan Agreement interest rate is variable, based on the WIBOR base rate in the case of financing in PLN and the EURIBOR base rate in the case of financing in EUR and a variable margin, the level of which will depend on the level of the net debt to EBITDA ratio.

In compliance with the Loan Agreement, some Loans will be repaid by:
(i) in the case of a Term Loan, on the day falling five years after the date of conclusion of the Loan Agreement; and
(ii) in the case of a Revolving Loan, on the date falling three years after the conclusion of the Loan Agreement with the option to extend the terms of the Revolving Loan for an additional two years in accordance with the terms of the Loan Agreement.

The Term Loans are repayable in equal semi-annual instalments commencing in November 2021 and the Revolving Loan is repayable on the final repayment date.

On 28 May 2021, the loan amounts were made available to the Company by the Lenders in accordance with the Loan Agreement. In connection with the disbursement of the Loans there has been:

i. the full repayment of the Company’s existing indebtedness under the Term and Revolving Facilities Agreement of 9 September 2016 (as amended) entered into between the Company, as lender, the Company's subsidiaries: Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, as guarantors and a consortium of banks as follows: BNP Paribas Bank Polska S.A., European Bank for Reconstruction and Development and Santander Bank Polska S.A. as mandated lead arrangers and lenders, Santander Bank Polska S.A. as agent and BNP Paribas Bank Polska S.A. as collateral agent (the “Previous Loan Agreement”), the execution of which was announced by the Company in current report No. 20/2016 of 9 September 2016; and

ii. closing and full settlement of the closing amount in respect of interest rate hedging transactions (irs) entered into in connection with the Prior Loan Agreement (the “Hedging Agreements”).

At the same time, with the repayment of the Company’s indebtedness under the Previous Loan Agreement, the Hedging Agreements and the early redemption of all of the Series A Bonds, as announced by the Company in current report No. 8/2021 of 1 March 2021, all collateral provided by the Company and the Company's subsidiaries expired: Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB in connection with an intercreditor agreement, under the English name – intercreditor agreement – concluded between the Company, Mr. Thomas Onstad, Santander Bank Polska (formerly: Bank Zachodni WBK S.A.), Haitong Bank Spółka Akcyjna, BNP Paribas Bank Polska S.A. (formerly: Bank BGŻ BNP Paribas S.A.) and other parties (the “Intercreditor Agreement”). The Company reported on the conclusion of the Intercreditor Agreement and the establishment of collateral in connection with this agreement in current report No. 20/2016 of 9 September 2016.

20. Share capital and reserve capital/other reserves

20.1. Share capital

There were no changes in the Company's share capital at 30 June 2021 compared to 31 December 2020.

20.2. Major shareholders

	As at 30 June 2021		As at 31 December 2020	
	Share in the share capital	Share in the total number of votes	Share in the share capital	Share in the total number of votes
Thomas Onstad	**68,13%**	**68,13%**	**68,13%**	**68,13%**
indirectly via	59,15%	59,15%	59,36%	59,36%
Nemus Holding AB	58,28%	58,28%	58,06%	58,06%
other entity	0,87%	0,87%	1,30%	1,30%
directly	8,98%	8,98%	8,77%	8,77%
Other	**31,87%**	**31,87%**	**31,87%**	**31,87%**

20.3. FX differences on translation of investments in foreign entities

Swedish krona is the functional currency of the Company’s foreign branch.

As at the balance sheet date, the assets and liabilities of the branch are translated into the Company’s presentation currency at the exchange rate prevailing on its interim abbreviated statement of profit and loss, statement of comprehensive income and statement of changes in equity are translated using the average weighted exchange rate for the relevant reporting period. The FX differences on translation are recognised in other total comprehensive income and cumulated in a separate equity item.

20.4. Reserve capital

The reserve capital as at 30 June 2021 amounted to PLN 427,502 thousand. The amount of supplementary capital compared to the end of 2020 was not changed.

20.5. Other reserves

Other reserves amounted to PLN 121,916 thousand as at 30 June 2021 and decreased compared to 31 December 2020 by PLN 14,825 thousand.

The decrease in reserves is mainly due to the General Meeting of Shareholders adopting the payment of dividends by the Company adjusted by the positive valuation of financial instruments.

20.6. Undistributed profit and restrictions in dividend distribution

In accordance with the provisions of the Code of Commercial Companies, the Company is obliged to establish reserve capital to cover potential losses. At least 8% of the profit for the financial year disclosed in the financial statements of the Company should be transferred to the category of the capital until the capital has reached the amount of at least one third of the share capital. The use of reserve capital and reserve funds is determined by the General Meeting; however, a part of reserve capital may be used solely to cover the losses disclosed in the financial statements and may not be distributed for other purposes.

As on the date hereof, the Company had no preferred shares.

On 22 June 2021, taking into account the assessment of the motion of the Management Board made by the Supervisory Board, the General Meeting of Arctic Paper S.A. passed the resolution no. 9/2021, in which it decides to allocate the Company's net profit for the financial year 2020 and part of the net profits from previous years accumulated on the Company's reserve capital, in the total amount of PLN 20,786 thousand to distribute the dividend to the Company's shareholders. The dividend per share will gross PLN 0.30.

In connection with the term and revolving facilities agreements signed on 2 April 2021, the Company’s ability to pay dividends is subject to the Group meeting certain financial ratios in the period prior to payment (as that term is defined in the term and revolving facilities agreement) and there being no event of default (as that term is defined in the term and revolving facilities agreement).

21. Financial instruments

The Company holds the following financial instruments: cash in bank accounts, loans, borrowings, receivables, liabilities under financial leases.

21.1. Fair value of each class of financial instruments

Due to the fact that the book values of the financial instruments held by the Company do not materially differ from their fair value, the table below presents all financial instruments by their carrying amounts, split into classes and categories of assets and liabilities.

		Book value	
	Category in compliance with IFRS 9	As at 30 June 2021	As at 31 December 2020
Financial assets			
Other (long-term) financial assets	*WwWGpWF*	4 731	22 982
Trade and other receivables	WwZK	27 707	28 973
Cash and cash equivalents	WwZK	22 493	40 148
Other (short-term) financial assets	*WwWGpWF*	110 136	107 070
Financial liabilities			
Interest-bearing loans, borrowings and bonds	*WwZK*	252 734	280 205
Trade payables	*WwZK*	23 798	21 941
Finance lease liabilities/other liabilities	*WwZK*	305	3 702
Derivative instruments	*IRZ*	-	2 195

Abbreviations used:

WwZK – Financial assets/liabilities measured at amortised cost

WwWGpWF – financial assets/liabilities measured at fair value through profit and loss

IRZ – hedge accounting instruments

The fair value of bank loans amounted to PLN 147,785 thousand (book value PLN 146,474 thousand) as at 30 June 2021 and PLN 70,133 thousand (book value PLN 69,406 thousand) as at 31 December 2020.

More information on the fair value of financial instruments is provided in the Annual Report for 2020, note 28.1.

22. Contingent liabilities and contingent assets

As at 30 June 2021, the Company had no contingent liabilities.

23. Transactions with related entities

The table below presents the total amount of transactions concluded with related entities within the 6-month period ended on 30 June 2021 and as at 30 June 2020 and as at 30 June 2021 and as at 31 December 2020:

Related party		*Sales to related entities*		*Purchases from related entities*	*Interest – operational income*	*Dividend received*	*Interest – financial expense*	*Guarantees obtained – other financial expenses*	*Receivables from related entities*	*including overdue*	*Loan receivables*	*Liabilities to related entities*	*including overdue, after the payment date*	*Loan liabilities*
Parent Entity:														
Nemus Holding AB	2020	1		-	-	-	-	-	3 180	-	-	-	-	-
	2019	-		-	-	-	-	-	3 274	-	-	-	-	-
Subsidiaries:	2020	**8 706**	**-**	**6 146**	**1 503**	**760**	**-**	**1 263**	**49 091**	**25 764**	**256 907**	**6 908**	**-**	**107 479**
	2019	**8 994**	**-**	**304**	**1 939**	**3 759**	**1 850**	**1 149**	**47 732**	**22 531**	**271 137**	**6 469**	**-**	**152 651**
Razem	**2020**	**8 707**	**-**	**6 146**	**1 503**	**760**	**-**	**1 263**	**52 271**	**25 764**	**256 907**	**6 908**	**-**	**107 479**
impairment charges		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(25 764)**	**(61 548)**	**-**	**-**	**-**
presentation as interests in subsidiary entities		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(25 764)**	**-**	**(82 709)**	**-**	**-**	**-**
2020 following impairment charges and		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
changes to presentation		**8 707**	**-**	**6 146**	**1 503**	**760**	**-**	**1 263**	**26 507**	**-**	**112 649**	**6 908**	**-**	**107 479**
		8 994		**304**	**1 939**	**3 759**	**1 850**	**1 149**	**51 006**	**22 531**	**271 137**	**6 468**	**-**	**152 651**
impairment charges		**-**		**-**	**-**	**(164)**	**-**	**-**	**(22 531)**	**-**	**(60 658)**	**-**	**-**	**-**
presentation as interests in subsidiary entities		-		-	-	-	-	-	-	-	**(82 709)**	-	-	-
2019following impairment charges and changes to presentation		**8 994**		**304**	**1 939**	**3 595**	**1 850**	**1 149**	**28 476**	**22 531**	**127 769**	**6 468**	**-**	**152 651**

24. Events after the end of the reporting period

After 30 June 2021, until the date hereof there were no other material events requiring disclosure in this report with the exception of those events that were disclosed in this report in paragraphs above.

Signatures of the Members of the Management Board

Position	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Michał Jarczyński	17 August 2021	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Göran Eklund	17 August 2021	signed with a qualified electronic signature

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